

NAVAL POSTGRADUATE SCHOOL MONTEREY, CALIFORNIA



THESIS

CONTRACTING IN A FOREIGN COUNTRY

by

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June 1997

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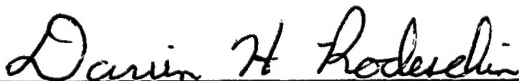
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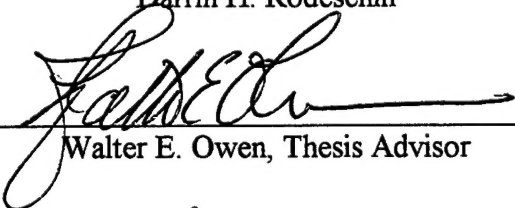
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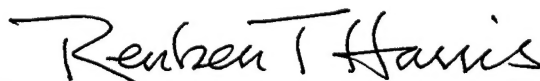
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ABSTRACT

The emergence of the United States as the only remaining superpower requires its forces to deploy to an increasing number of foreign countries. U.S. businesses are expanding their markets to include many foreign countries as well. Additionally, the United Nation's role as a multi-national peacekeeping force is growing. This thesis investigates and compares the different contracting structures of the U.S. Army, the UN, and Apple as well as the duties and responsibilities of the contracting individuals within these organizations. It also explores the regulations and policy, training and organization-specific issues relevant to overseas contracting.

This thesis revealed that although each organization is unique in its methodology of overseas contracting, it is possible for each organization to learn from another's method of contracting. This thesis did not determine the best way to conduct overseas contracting, nor was this the intent. The objective was to compare different ways of contracting overseas. In doing so, a reference document is now available for current and future contractors. The knowledge gained from this document will help prepare these contractors to meet the challenge of contracting in a foreign country.

TABLE OF CONTENTS

I. INTRODUCTION	1
A. BACKGROUND	1
B. OBJECTIVES OF THE RESEARCH	2
C. RESEARCH QUESTIONS	2
D. SCOPE	2
E. LIMITATIONS	3
F. RESEARCH METHODOLOGY	4
G. DEFINITIONS	4
H. ORGANIZATION OF THESIS	4
II. CONTRACTING	7
A. INTRODUCTION	7
B. DEFINITIONS	7
C. HISTORICAL PERSPECTIVE	9
1. Army	9
2. U.S. Industry	12
3. UN Peacekeeping	13
D. SUMMARY	14
III. CONTRACTING IN A FOREIGN COUNTRY	17
A. INTRODUCTION	17
B. ARMY CONTRACTING	17
1. Introduction	17
2. Structure	18
3. Duties and Responsibilities	23
4. Regulations and Policy	26
5. Training	30
6. Army Specific Issues	31
a. Funding	31
b. Planning	32
c. Claims, Disputes, and Appeals	35
7. Conclusions	36
C. UNITED NATIONS CONTRACTING	37
1. Introduction	37
2. Structure	37
3. Duties and Responsibilities	42
4. Regulations and Policy	44
5. Training	46
6. UN-Specific Issues	48
a. Committee On Contracts	48
b. Ex Post Facto Cases	49
c. Politics	49
7. Conclusions	50
D. APPLE CONTRACTING	50
1. Introduction	50

2. Structure.....	51
3. Duties and Responsibilities	54
4. Regulations and Policy.....	55
5. Training.....	58
6. U.S. Company-Specific Issues	58
a. Rewards	58
b. Hiring Local Consultants	59
7. Conclusions	60
E. SUMMARY	60
IV. COMPARISON AND ANALYSIS.....	61
A. INTRODUCTION.....	61
B. STRUCTURE.....	61
C. DUTIES AND RESPONSIBILITIES.....	64
D. REGULATIONS AND POLICY	66
E. TRAINING.....	68
F. ORGANIZATION-SPECIFIC ISSUES.....	71
G. SUMMARY	74
V. LESSONS LEARNED AND CONCLUSIONS	75
A. INTRODUCTION.....	75
B. LESSONS LEARNED.....	75
1. Army	75
2. UN.....	77
3. Apple.....	78
C. CONCLUSIONS	79
1. Planning.....	80
2. Joint Contracting.....	80
3. Training vs. Hiring.....	81
4. Regulations and Policy.....	82
D. AREAS FOR FURTHER RESEARCH.....	83
APPENDIX	85
LIST OF REFERENCES.....	87
BIBLIOGRAPHY	89
INITIAL DISTRIBUTION LIST	91

I. INTRODUCTION

A. BACKGROUND

The emergence of the United States as the only remaining superpower has required its forces to deploy to an increasing number of foreign countries. The increased number of deployments has in turn increased the logistical demands placed on supporting units. As a result, new methods of providing critical supplies and services to deployed forces created the need for the Army contingency contractor. Contingency contractors meet internal logistical shortfalls by purchasing needed supplies from a foreign local economy. Several theses addressing pre-deployment training to prepare contingency contractors for foreign operations have revealed mixed conclusions on the adequacy of that training. The focus of the research for these theses has traditionally been on internal Department of Defense (DoD) programs specifically Army, Air Force and Marines Corps. These studies did not attempt to compare the organization being studied with other organizations either internal or outside DoD.

The U.S. Army, or for that matter DoD, is not the only organization contracting in foreign countries. U.S. businesses are expanding their markets to include many foreign countries. Additionally, the United Nations' role as a multi-national peacekeeping force is expanding. In both instances, the need to establish contracts in a foreign country is a reality that seems to be similar to that of the U.S. Army. To conduct business successfully, each organization must establish guidance, training programs, and policies for its contracting personnel. A comparison of the different methods and experiences of these organizations should result in a valuable resource for future use in contracting operations.

B. OBJECTIVES OF THE RESEARCH

This thesis explores and compares how contracting officials from three organizations contract in a foreign country: U.S. Army, a private U.S. company, and UN peacekeeping missions. The thesis focuses on training, regulations, policies, and key considerations contractors from each standpoint must follow in order to conduct business. The objective of this research is to provide a reference document of alternative methods of contracting. This document will assist current and future contractors to better prepare themselves for contracting overseas.

C. RESEARCH QUESTIONS

The primary research question is: How do contracting officials for the U.S. Army, private U.S. companies, and UN peacekeeping forces currently conduct contracting operations in a foreign country? The subsidiary questions are:

1. What types of training programs are required and provided to prepare contracting personnel for contracting in a foreign country?
2. What formal rules, regulations, and laws apply to the various types of contracting officials? Where can these rules and regulations be found?
3. What informal guidance or policies are given to these contracting officials via "word-of-mouth" and how can they be found?
4. What are some of the considerations unique to each organization when contracting in a foreign country?

D. SCOPE

The thrust of this thesis is to compare the policies, techniques, and training received by contracting personnel who conduct operations in a foreign country. The first

step is to establish a common foundation of knowledge concerning contracting overseas. The second step is to investigate how three different organizations conduct such operations. Finally, a comparative analysis of the similarities and differences is conducted and a summary of lessons learned for future contracting operations is provided.

E. LIMITATIONS

The potential numbers of private U.S. companies available to investigate are too numerous for the scope of this thesis. For this reason, one representative company was examined. This company was selected based on its activity of overseas business, product, and its ability to adequately represent U.S. commerce abroad. Research was limited to personal interviews and material voluntarily made available by the company. Although additional written documentation may exist, it may not be available for several reasons. These may include the company's unwillingness to divulge the information, the company's point of contact not being aware of the material's existence, or the fact that private corporations are not required to publish their internal guidance.

Research conducted on the U.S. military was limited to Army contingency contracting. Furthermore, because of on going changes in contracting only information after 1992 (fives years) was used.

Research on the United Nations was limited to interviews with UN personnel, the UN procurement manual, and the UN finance records. The limitations were due largely to the political nature of the UN and requests made by UN personnel.

F. RESEARCH METHODOLOGY

Research data came from official Government directives and policies; civilian policy documents; journals; previous theses; DoD, Army, and UN regulations; the UN charter, after action reports; and published lessons learned. Interviews with contingency contractors, civilian contracting personnel, and UN contracting personnel provided insight into the process, training, and lessons learned from contracting in foreign countries. Interviews focused on obtaining written documentation, personal experience, policies, and guidance given to contractors.

G. DEFINITIONS

See Chapter II, "Background," for a complete list of common terms and definitions.

H. ORGANIZATION OF THESIS

This thesis explores the subject in a step-by-step manner. Chapter I outlines the objectives, scope, limitations and research questions of the thesis. Chapter II defines the concept of contracting in a foreign country. It establishes a foundation of common terminology in both the civilian and military environment. It also introduces the reader to an historical development of overseas contracting. The intent is to introduce the reader to the basics of contracting and provide a flavor for some of the nuances for conducting business in another country. Chapter III explores specific duties and responsibilities, policies, training, experiences, structure and program-specific aspects of contracting in another country. It explores this concept from the viewpoints of U.S. Army contingency contractors, a private U.S. company, and a UN multi-national peacekeeping force. Chapter IV compares and contrasts the different techniques used by each of the

aforementioned groups. The focus of the analysis is to highlight areas of concern and successful methods for overcoming these concerns. Additionally, common mistakes are analyzed and ways to avoid them in the future are explored. Chapter V summarizes the previous chapters, includes a summary of lessons learned, and recommends further research topics on contracting in foreign countries.

II. CONTRACTING

A. INTRODUCTION

Before outlining and comparing the structure, training, and policies used by contractors (refers to contracting personnel), it is essential to establish a basic level of understanding of a few key terms. The first section of this chapter provides a brief list of terms and their definitions to assist the reader in better understanding the chapters which follow. The remaining section provides a brief historical overview of contracting overseas and its emerging role in the Army, U.S. private business, and the UN. The historical perspective demonstrates the growth of overseas contracting and illustrates the significance of overseas contracting for each agency.

B. DEFINITIONS

Contingency - A situation involving the deployment of military forces in response to natural disasters, terrorist or subversive activities, collapse of law and order, political instability, or military operations. Due to the uncertainty of the situation, contingencies require plans, rapid response and special procedures to ensure the safety and readiness of personnel, installations and equipment. (AFARS, 1993, p. 1-1)

Contracting - The Federal Acquisition Regulation (FAR) 2.101 defines contracting as purchasing, renting, leasing, or otherwise obtaining supplies or services from non-federal sources. Contracting functions include preparation of descriptions (but not determinations) of supplies and services required, selection and solicitation of sources, preparation and award of contracts, and all phases of contract administration. It does not include making grants or cooperative agreements. (AFARS, 1993, p. 1-1)

Contingency Contracting - The provision of those essential supplies and services needed to sustain the mission. It includes emergency contracting in the continental United States (CONUS) or outside the continental United States (OCONUS) for those actions necessary for the mobilization and deployment of units. (AFARS, 1993, p. 1-1)

Contracting Officer - An official with the authority to enter into, administer and/or terminate contracts. A contracting officer is appointed in writing through a warrant (SF 1402) by the Head of the Contracting Activity (HCA) or the Principal Assistant Responsible for Contracting (PARC). (AFARS, 1993, p. 1-1)

Acquisition - Acquisition is defined as the process which provides the material and services required to accomplish the mission. It is an integral part of the overall theater logistics plan and operational system which includes requirements generation flow, contract/purchase, inspection, acceptance and user receipt of delivery. (AFARS, 1993, p. 1-1)

Procurement - The act of buying goods and services (DSMC, 1991, p. B-82).

Buyer - Purchasing managers who participate in determining what products their firm should make, what components or parts of these products their firm should manufacture, and which ones should be purchased from outside suppliers. Most important, these buyers integrate the efforts of their departments with those of the other departments. (Dobler, 1996, p. 18-19) Apple (U.S. business) use the term Team Leader.

Host Nation Support (HNS) - Agreements are normally negotiated through the U.S. State Department to provide HNS for deployed forces. Support items under these agreements may include: billeting, food, water, fuel, transportation, and utilities (AFARS, 1993, p. 1-2)

National Emergency - A condition declared by the President or by Congress which authorizes certain emergency actions to be undertaken in the national interest. Actions to be taken may range from a small contingency force to total mobilization. (Koster, 1991, p. 5)

Deployment - The relocation of the force to a desired area of operations (Mason, 1988, p. 4).

Small Purchase - The acquisition of supplies and non-personal services through simplified purchase procedures. Small purchases may not exceed a dollar ceiling (threshold) established by Congress. (AFARS, 1993, p 1-2)

Simplified Acquisition - The acquisition of supplies and services, including construction, research and development, and commercial items through simplified acquisition procedures. Simplified acquisitions may not exceed a dollar ceiling (threshold) established by Congress. (AFARS, 1996) This definition replaces small purchases as outlined in the draft AFARS manual # 2.

C. HISTORICAL PERSPECTIVE

1. Army

The concept of supplying a military force by obtaining foreign locally available resources has existed in the military for many years. Plundering, pillaging, and looting were common terms for such methods of procurement. However, not until the Civil War did contracting officers co-locate with the front line army divisions. This innovation not only increased the efficiency of contingency contractors to resupply their divisions, but shortened the logistics train as well. (Koster, 1991, p. 8) The ability to procure local goods and services became a viable resupply asset under the Civil War Food & Foraging

Act, 41 USC 11. This Act served as the beginning of contingency contracting and still serves as a useful tool for today's contingency contractors.

Contracting for supplies and services during WW I took a different twist by taking advantage of the vast resources that were mobilized within the United States. Widespread use of the Cost Plus Percentage of Cost (CPPC) contract, which today is illegal, was quite common. This practice continued through the beginning of WW II, but a major change occurred as the U.S. commitment to the war increased. To lessen the burden of shipping, purchasing supplies and services within the theater of operation became the norm instead of purchasing and shipping supplies from the U.S. The use of the small purchase agreement was extensive and capitalized on the available resources of our allies. (Mason, 1988, p. 7-8) In both instances, innovative contingency contractors met logistical needs of war.

Similar contracting procedures continued through the Korean War. In this conflict, contractors obtained supplies and services from both Korea and nearby Japan. Contractors in Korea faced unique challenges, such as the requirement to teach Koreans how to cultivate sanitary vegetables and how to follow U.S. procurement specifications and procedures. (Koster, 1991, p.69) This situation resulted from South Korea not being prepared to sell goods and services to U.S. forces which required the establishment of a resource base in South Korea.

The supply avenues established during the Korean War were very useful during the initial stages of the Vietnam Conflict because it was not a declared national emergency. This fact created the newest set of challenges for contingency contractors.

In the absence of a declared emergency, contractors are still bound by the cumbersome peacetime acquisition laws and regulations.

A more recent example of this problem was the invasion of Grenada, Operation Urgent Fury. Naval support ships met initial supply needs during the invasion and island take-over phase, but contingency contractors supported follow-on military missions. The result was an operation very similar to that of the Vietnam conflict in which contingency contractor actions were governed by non-emergency rules and regulations. Without a declaration of a national emergency, contractors receive very little alleviation from peacetime procurement laws and regulations. By using small purchase agreements and local contracts, contingency contractors were able to achieve mission success. (Koster, 1991, p. 10) Successful operations in Grenada were primarily due to creative thinking on the part of contracting professionals.

The ingenuity of contracting professionals to accomplish the mission is also apparent when examining Operation Desert Shield/Storm. The sudden decision to defend Saudi Arabia and the rapid build-up of forces created yet another challenge for contingency contractors. Restricted by peacetime procurement regulations, inexperienced contractors had to provide immediate supply support to deployed U.S. forces. In this instance, contractors were unprepared for the volume and urgency with which requirements were generated. With no regulatory guidance, contingency contractors again rose to the challenge, creating innovative methods to provide critical supplies needed to defeat the Iraqi forces. (Koster, 1991, p. 11)

In recent years, the United States has been involved in contingency operations around the globe. These operations involve military and other public, joint, or allied

elements; the purpose of these contingency operations varies greatly. In the past, the U.S. has provided humanitarian relief, rescued U.S. citizens, demonstrated a show of force in support of political objectives, assisted in the restoration of overthrown governments, and protected other U.S. interests. When properly used, contracting is an effective force multiplier that can bridge the gap that naturally occurs before military logistic resources can be deployed in support of the operation. In some instances, contingency contractors provide support during the entire timeframe of the contingency.

2. U.S. Industry

Unlike the U.S. military, U.S. industry does not have such an elaborate or documented past. Among other nations, foreign trade dates back to Roman times and earlier. The Phoenicians, for example, are just one instance of a society that took advantage of trading with other nations. However, the rules governing military procurement and civilian trade are vastly different. Civilian businessmen, although governed by the laws of international trade, are not nearly as restricted in the way they conduct business. Civilian businessmen are not required to seek out multiple sources for competition purposes and can choose not to do business with a company based on past performance alone. This allows civilian businesses to eliminate certain overhead costs, reduce contracting time and even obtain a better product.

In addition to differences in rules and regulations, disputes are another area that is handled quite differently. Historically, trade disputes were often settled by the use of force and sometimes resulted in wars. Fortunately, with the creation of local and international laws and modern judicial systems, disputes are now handled more peacefully. However, another option in the civilian sector that is not always available to

the military is the ability to walk away. If a problem arises with two trading partners, both have the option of no longer conducting business with each other. This is not the case in contingency operations. The restrictions placed on military contractors, such as mandatory presence and fair and open competition, do not apply to their civilian counterparts. This creates a substantially different atmosphere for procurement. It also provides an excellent opportunity for comparison.

3. UN Peacekeeping

The United Nations' history is limited to the rather short length of its existence. Recently celebrating its fiftieth anniversary, the UN has not suffered some of the same growing pains experienced by the military or private industry. It has avoided these pitfalls by seeking out the advice of the U.S. military and private industry so as not to make the same mistakes. Unfortunately, the UN, like most large organizations, is not perfect. Although seeking advice from others, it still has fallen prey to the mistakes that the Army and private industry could not avoid; both will be demonstrated in later chapters. Additionally, the UN's role in peacekeeping operations has only evolved over the last few years. By comparison, UN contracting is relatively similar to that of the U.S. Army in that additional rules and regulations also govern its contracting officials. However, unlike the U.S. Army, the UN peacekeeping forces do not have an established logistical support network. Furthermore, the UN must appease many nations, whereas the U.S. military only answers to one governing body.

Because the UN relies heavily on participating nations' support for military forces, logistical support also depends on what these nations provide. In many cases, this increases the need for local procurement of supplies and services. Combining military

personnel from different nations provides some unique challenges for UN contractors. The logistical demands of peacekeeping forces vary greatly due to differences in culture, contracting procedures, and funding. Still, the UN provides yet another opportunity to look at how contracting overseas is accomplished by another entity. Specifically, UN peacekeeping operations serve as a perfect example of UN overseas contracting and will be used as a vehicle for comparison.

D. SUMMARY

This brief historical review of the use and development of military contingency contracting, commercial trade, and contracting for UN peacekeeping forces illustrates how overseas commerce plays an important role in the world. Along with the increase in contracting activity overseas come some unique challenges faced by contractors in a foreign environment. One highlighted problem occurs for the U.S. military in the absence of a declared emergency. Another results for the UN when combining military personnel from many nations to form a military peacekeeping force. Attempts are constantly being made to correct these problems. In 1993, the U.S. attempted to solve its problem by publishing the first edition of the Army Federal Acquisition Regulation Supplement (AFARS) Manual No. 2. The UN published its procurement manual in 1986. Both organizations continue their quest for improved efficiency and effectiveness by updating these documents – in fact, both are working on current updates.

Since the end of the Cold War, both UN and U.S. military involvement in contingency operations has grown substantially. Additionally, removal of many trade barriers in communist countries opened new doors for U.S. private companies. Overseas contracting increases the logistics support capability for the military and takes advantages

of a free and open market in the civilian sector. It is a valuable tool that provides Combat Service Support (CSS) elements a new source to obtain critically required support and the ability of nations to purchase less expensive supplies. For these reasons, contingency contracting has evolved as a vital part of the Army's logistical system and country leaders have removed old trade barriers. In light of this fact, it is important to constantly reform and improve contracting operations. One method of improvement is to compare different techniques for accomplishing the same task. In the next chapter, each organization's structure, rules, policies and training are outlined. In this manner, the stage is set to compare how each organization conducts business overseas.

III. CONTRACTING IN A FOREIGN COUNTRY

A. INTRODUCTION

This chapter investigates internal contracting procedures of U.S. Army contingency contracting offices, UN peacekeeping contracting offices, and a U.S. private company contracting office. The reader will learn how each organization's contracting division is structured, the duties and responsibilities of contracting officials, and the formal rules and regulations that govern their actions. Additionally, training programs and organization-specific areas of interest are highlighted. The purpose is to provide the reader with detailed information used to conduct the analysis in Chapter IV.

B. ARMY CONTRACTING

1. Introduction

Currently, many regulations govern how the Army performs its contracting activities. Two examples are the Federal Acquisition Regulation (FAR) and the Defense Federal Acquisition Regulation (DFAR). The Army Federal Acquisition Regulation Supplement (AFARS) Manual No. 2, published in 1993, gives guidance on how to apply these and other manuals during contingency operations. The AFARS is the Army's main reference manual for conducting contingency contracting. Currently, the 1993 version of the AFARS manual is being revised and updated. The latest version is currently in draft form and is being staffed within the Office of the Assistant Secretary of the Army for Research, Development and Acquisition (SARDA). The final version is due out in late 1997. A copy of the draft was obtained and will be used to provide the most up-to-date information.

The draft AFARS manual outlines the structure, duties and responsibilities, and other related topics for contingency contracting. More importantly, "this manual provides a consolidated source of information for use during the planning and conduct of contingency, humanitarian assistance, or peacekeeping operations and deployment exercises. It provides guidance for implementing the Federal Acquisition Regulation (FAR), and the DoD FAR Supplement (DFARS), ..." (Draft AFARS, 1997) It is the best source of information for Army contingency contracting.

2. Structure

In most Army organizations, an established hierarchy, the chain of command, exists. Contingency contracting is no different. The draft AFARS outlines a very flexible structure that is shown in Figure 1. This structure highlights the major positions in the contingency contracting chain of command starting at the Secretary of the Army level (HCA) down to the local commander (Chief of the Contracting Office). The chain of command is designed to be flexible and can be supplemented or minimized as required. For example, if the operation is small, the HCA, the PARC and the Contracting Commander can be the same person. For larger operations, there may be multiple Contracting Commanders who are responsible for multiple Chiefs of Contracting Offices. Each chain of command depends on the size of the operation, the area of operation, and the specific needs of the forces deployed.

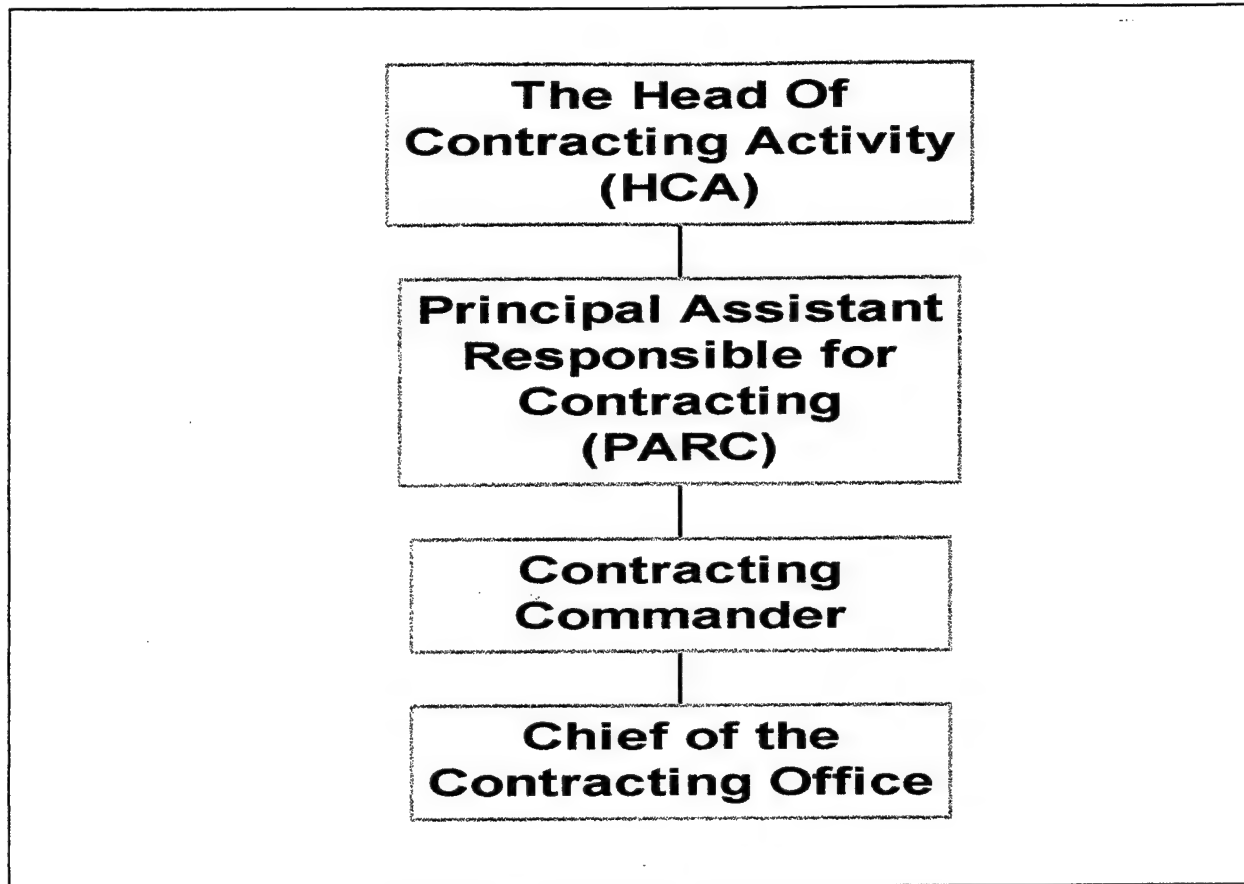


Figure 1 Contingency Contracting Structure

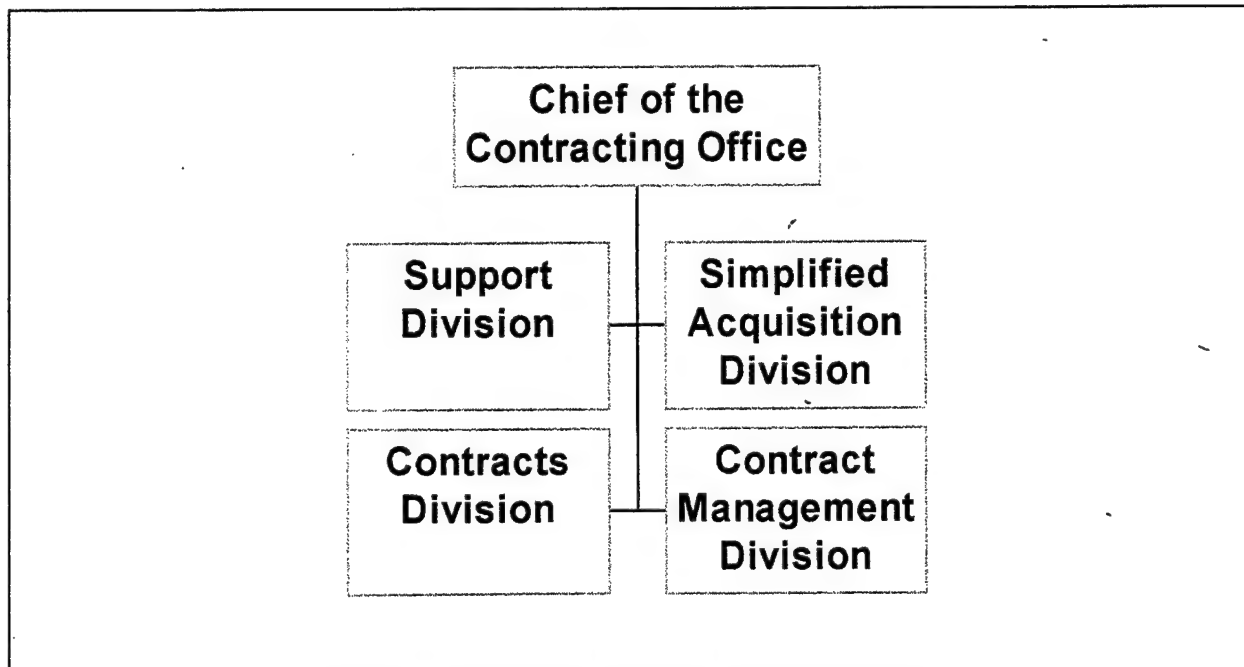


Figure 2 Chief of Contracting Office Structure

The contracting structure described in Figure 2 is broken down into an organizational model. Again, based on the commander's mission analysis, the basic model can be restructured to suit the specific area requirements. Generally, the contingency contracting organizational model consists of four divisions: support, simplified acquisition, contracts, and contract management. The head of each division works directly for the PARC. For this reason, the PARC may also be the Contracting Commander or the Chief of the Contracting Office. One person may fill these positions separately or jointly. In either case, the office answers directly to the HCA; as a direct result, the PARC office has full access to the HCA. Figure 2 is what a typical Contracting Office looks like. It is not meant to be restrictive or all encompassing, but rather provide a foundation from which to build. The important issue is that this is where the CCO works and will be the center of discussion. An overview of the various functions within contingency contracting structure follows.

Head of Contracting Agency (HCA) – This position is filled by a general officer appointed by the Assistant Secretary of the Army, Research, Development and Acquisition (ASA (RDA)). The HCA provides overall guidance and implements operational plans as directed by the ASA (RDA). The HCA is the approving authority for the contingency as stipulated by the FAR, DFAR, and the AFARS. He/she will also appoint the Principal Assistant Responsible for Contracting (PARC).

Principal Assistant Responsible for Contracting - The PARC, who may be dual-hatted as the HCA or the Contracting Theater Headquarters Commander, is the senior acquisition advisor for the theater of operations. He/she is responsible for contracting oversight and execution of the contracting plan as outlined by the HCA. It is also the

PARC's responsibility "to ensure adequacy of organizational structure, staffing, and training programs of each contracting office" (DAFARS, 1997). The PARC has direct access to the HCA and is located at the contracting activity level. The HCA delegates certain responsibilities to the PARC including such things as coordinating inter-command agreements, reviewing host nation support (HNS) agreements, establishing policy and procedures, deploying Forward Area Support Teams (FAST), and coordinating with Army Staff personnel. All Army contracting offices working in the area of operations function under the HCA and PARC for procurement purposes and request warrants and appointment letters from the theater HCA or the PARC. (DAFARS, 1997)

Contracting Commander - This individual commands all contracting activities in the theater of operation and executes the HCA's directives. As mentioned above, he/she may be dual-hatted as the PARC. "Typically the office of the Commander coordinates, plans, organizes, staffs, directs and controls the activities of the Contracting Command" (DAFARS, 1997). Depending on the size of the operation, there may be one or multiple Contracting Commanders responsible for different areas within the contingency.

Chief of the Contracting Office - The Chief reports directly to the Contracting Commander. For small operations, the Chief may also be dual-hatted as the PARC. The Chief plans, directs, and supervises the "purchasing and contracting for supplies, services, and construction for assigned customers" (DAFARS, 1997). For large operations, there may be multiple contracting offices with numerous Chiefs of the Contracting Office. This individual is one step above the CCO, and it is responsible for such things as contract approval, compliance, and auditing functions. He/she also ensures regulatory compliance and maximum use of competition.

Support Division – This division is responsible for contract administration and execution. It operates using the Standard Army Automated Contracting System (SAACONS), as well as other automated systems. It administratively supports the contracting office as well as maintains records, processes data, and prepares reports. It also provides audit functions and performs cost and price analysis. (DAFARS, 1997)

Simplified Acquisition Division - This division is organized to plan, solicit, execute, and administer supplies, services, and construction procurements. It performs these activities using the simplified acquisition procedures and typically performs several of the following functions: collection of procurement action report data, preparation of management reports, contract closeout procedures, and maintenance of imprest funds.

Contracts Division – This division is similar to the Simplified Acquisition Division except that it performs all procurements other than simplified acquisition. In addition to the functions mentioned above, the Contracts Division also assists in preparing performance work statements, prepares DD Form 350 action reports, and manages non-appropriated fund purchases.

Contracts Management Division – This division is the contract administrator for the Office of the Chief. Its primary role is to ensure “effective and efficient organization for administration and management of contacts” (DAFARS, 1997). Service contracts, other than a simplified acquisition, are assigned to this division for contract administration from award to closeout. It is this division’s responsibility to ensure the Government’s best interest is served and the customer receives the supplies or services outlined in the contract.

The personnel who make up these organizations are the focus of this thesis. They are formally known in the Army as contingency contractors. Having learned from past experiences, the Army supports these divisions with local teams of experienced contractors. The Army Acquisition Corps (AAC) has identified several contingency contractor positions for functional area (FA) 97 contracting officers. These officers work for and report directly to the deploying units of the various major commands (MACOMs), corps, and divisions. The Military Acquisition Position List (MAPL) provides a mandatory list of the required table of organization and equipment (TOE) positions that must be filled by qualified FA 97 officers. Although other support personnel are included in these organizations, it is illegal to fill a MAPL position with a non-Acquisition Corps officer. The normal compliment of FA 97 officers includes a major and one or two captains. Larger organizations also have a lieutenant colonel. (DFARS, 1997)

The Army portion of this research focuses on the contingency contracting level. At this level, the full effect of rules and regulations is apparent. Additionally, it is at this level that contracting actually takes place. In the next section, a discussion of the CCO's duties and responsibilities will provide the reader with an understanding of their position.

3. Duties and Responsibilities

The CCO's duties while deployed to a contingency operation are similar in nature to those found in a garrison environment. Some notable differences for a contingency are the majority of the contracting actions will fall below the simplified acquisition threshold and the CCO will be involved in a wider spectrum of contracting actions. This dramatically increases the number of contracting actions the CCO is responsible for and

decreases the amount of supervision over the CCO which makes the CCO's standard of conduct even more critical. Because some of the supervisor checks and balances are removed, "duties that may violate conflict of interest (that is, verifying requirements, certifying funds, receiving, and paying for goods and services) should not be given to the contracting officer" (DAFARS, 1997). It is important that the CCO is able to dedicate his/her time appropriately so that he/she can complete the contracting action correctly.

Even before arriving in country, the CCO must start preparing him/herself to meet the logistical needs of his unit. Prior to deploying, the CCO must develop and maintain the contingency contracting support plan (CCSP) and maintain a contingency support kit. Additionally, the CCO should become familiar with the unit's logistical requirements. In order to accomplish this, the CCO can participate in various training exercises and garrison missions. The experience and knowledge the CCO gains prior to deploying will save time and effort during future requirements generation. The savings in time and effort will take place by the CCO having a working knowledge of the various logistical requirements of his/her unit instead of learning them after being deployed.

During the contingency, the CCO's duties and responsibilities fall into four major areas: management, supplies purchasing, services purchasing, and contract administration. Each of these categories can also be subdivided into specialties. A brief description of the responsibilities in each category follows.

As a manager, the CCO's most important responsibility is maintaining a proper audit trail. With the rotation of different contracting personnel in and out of the theater of operation, it is critical to establish a good bookkeeping system. The comptroller is a good source for assistance. Another tool that is available to the CCO is SAACONS.

This system facilitates management of purchases and produces the actual purchasing documents.

Purchasing supplies is another of the CCO's primary responsibilities. In this arena, the CCO receives additional support from the unit in the form of Class A agents and ordering officers. In many cases, telephones are not available and "cash and carry" constitutes the majority of initial business transactions. Again, due to the urgency of need, an audit trail is critically important. Accurate documentation for each purchase will answer any questions that may arise during and after the purchase. It will also benefit the CCO to gather pictures of typical supplies that various units require. The pictures will be very helpful when communicating to non English-speaking vendors or when an interpreter is not available. (AFARS, 1993) Although an all-inclusive list of supplies is not realistic, a list of typical supplies from previous deployments is available in the AFARS on p. 7-3. This list is a great starting place and can also be helpful in the process of gathering pictures.

The CCO is also responsible for buying services. This function is more difficult to perform than buying supplies since it may be difficult to describe the level of effort that is required to complete a service. In order for the CCO to be effective, an interpreter and detailed Statements of Work (SOW) are necessary. Additionally, a Contracting Officer's Representative (COR) should be used to inspect completed work and provide progress reports. The COR must be very careful to avoid changing the scope of work during an inspection, which has been typical of past deployments. To ensure quality and timely work, the CCO should stipulate that no advanced payments are authorized.

However, progress payments are permissible and should be specifically written into the SOW.

Finally, the CCO is the contract administrator. In this capacity, the CCO monitors contracts from award to closeout. During this process, the CCO will determine if the contract is being completed correctly by both the government and the contractor. The CCO may depend heavily on the COR for assistance due to geographic limitations and considerable workload. The COR will be the CCO's subject matter expert and will monitor contractor compliance. The COR will be appointed by the requiring activity but will not have the authority to change the contract. (DFARS, 1997)

The CCO is expected to conduct the functions outlined above faster and with less assistance during a contingency operation. Tools such as telephones, vendor listings, and local advertising, which assist the CCO in performing his/her duties, may not be available during a contingency operation. Thus, the CCO should plan accordingly. Additionally, rules and regulations that apply during normal garrison operations change during contingency operations. In light of this, the next section explores the regulations and policies to which the CCO must adhere during a contingency.

4. Regulations and Policy

"Contracting actions completed during these (contingency) situations shall comply with statutory requirements, executive orders, and regulations unless a law or regulation authorizes deviation" (DAFARS, 1997). This statement clearly informs the CCO that although he/she may be working in a hostile or vastly different environment, the regulations and policies that applied in garrison still apply during contingency

operations. Certain exceptions are permitted for emergency conditions which are explained later.

The AFARS manual makes several assumptions that are the basis for applying these regulations and policies. First, it assumes that contracting is done globally and contracting principles are universally applicable. Additionally, due to the nature of most contingencies, the need for supplies and services will be of a more urgent nature or higher priority. CCOs will be granted the authority to conduct contracting in the area of operations and with the foreign government involved. Normally, contingency operations will be conducted jointly and appropriate acquisition boards will be established to facilitate coordinating and integrating contracting actions. Finally, the manual assumes that DoD contracting offices will be used whenever possible. Based on these assumptions, the manual also places several limitations on the CCO.

The CCO is required to use the Logistic Civilian Augmentation Program (LOGCAP) and Host Nation Support (HNS) to the fullest extent. The CCO must ensure contingency contracting does not replace these two forms of logistical support in the attempt to expedite procurement of supplies and services. In addition, the CCO must be aware of any international agreements, inter-service agreements and other authoritative agreements that may restrict his/her actions in the theater of operation. (AFARS, 1993) In support of this requirement, the CCO is mandated to have all acquisitions legally reviewed. This review must follow the guidance set out by the HCA and consider the legal complexity of the area of operation.

As mentioned earlier, the AFARS cites specific exemptions from various rules and when to apply them. Figure 3 lists exceptions to the AFARS and Figure 4 outlines

exceptions to the FAR during emergency conditions. In both instances, the CCO must be familiar with these exceptions to implement them properly. Additionally, the CCO should keep in mind that he/she is functioning in a support role and that the “requirements are driven by the commanders and their logistics officers, not the procurement personnel” (DAFARS, 1997).

REFERENCE	SUBJECT	EXCEPTIONS ALLOWED
37.104(b) and DoD Supl 37.104(70)(i)(6)	Personal Services	Pursuant to 5 U.S.C. 3109, if advantageous to the national defense. Requires D & F
1.670-3(b)(3)	Ratification	Can be delegated to others by the HCA.
1.699	Contracting Authority of Other Personnel	Imprest fund purchases IAW FAR/DFAR 13.4 Fuel, oil, and emergency repairs IAW AR 703.1 SF 44 and credit card purchases IAW FAR 13.505-3 and AFARS 13.90 provided that the individual has been trained and has a written authorization

Figure 3 AFARS Exceptions.

REFERENCE	SUBJECT	EXCEPTIONS ALLOWED
5.202(a)(12)	Synopsis	Does not apply overseas unless subject to Trade Agreements Act or North American Free Trade Agreement.
5.202(a)(2)	Synopsis	Not applicable for purchases using the simplified acquisition procedures, if unusual and compelling urgency exists.
5.202(a)(3)	Synopsis	International agreement, treaty or organization specifies the source of supply. For contracts by written direction of foreign governments reimbursing cost of acquisition.
6.001(a)	Competition Requirements	Does not apply to simplified acquisitions.
13.111(b)	Covenant Against Contingent Fees	Not applicable to contracts or subcontracts at or below the simplified acquisition threshold.
13.111(c)	Restrictions on Subcontractor sales to the Government	Not applicable to contracts or subcontracts at or below the simplified acquisition threshold.
13.111(d)	Anti-kickback Procedures	Not applicable to contracts or subcontracts at or below the simplified acquisition threshold.
13.111(e)	Audit and Record Negotiation	Not applicable to contracts or subcontracts at or below the simplified acquisition threshold.
13.111(f)	Contract Work Hours and Safety Standard Act	Not applicable to contracts or subcontracts at or below the simplified acquisition threshold.
13.111(g)	Drug Free Workplace Certification	Not applicable to contracts or subcontracts at or below the simplified acquisition threshold.
13.111(h)	Estimate of Recovered Material	Not applicable to contracts or subcontracts at or below the simplified acquisition threshold.
25.102(a)(1)	Buy America Act	Not applicable for items purchased outside U.S. and its territories.
25.302(b)	International Balance of Payments Program	Acceptable to buy foreign at or below the simplified acquisition threshold.
25.501	Payment in Local Currency	Foreign contracts should be priced and paid in local currency, unless contracting officer determines it to be inappropriate.
25.703(a) and FAR Supplement	Restrictions on certain foreign Purchases	Authorized to buy items from Vietnam, Cambodia and Cuba in emergencies.
28.102-1(a)	Bonds	Miller Act 40 U.S.C. 270a-f, can be waived by the CCO for overseas construction.

Figure 4 FAR Exceptions

Because the CCO is required to be familiar with a vast amount of information, training is extremely important. The next section looks at training for both general contracting and contingency contracting.

5. Training

When an explanation or clarification is needed, the CCO can review the procedures outlined above at any time since they are available in the FAR, DFAR, and AFARS. However, these manuals cannot provide the necessary hands-on training to prepare the CCO for contracting operations.

Currently, the only formal training the CCO receives is through advanced civil schooling and the Defense Acquisition University (DAU). These educational institutions provide the CCO a basic understanding of contracting procedures but no hands-on experience. The lack of experience makes the CCO's job very difficult. However, in the garrison environment, the CCO can take advantage of the experience of civilian contractors. The civilian Directorate of Contracting (DOC) workforce is non-deployable. While this is no help to the CCO during contingency operations, the CCO can learn a great deal in a garrison environment. Additionally, this on-the-job training (OJT) with the DOC is an excellent method for the CCO to gain experience conducting simplified acquisition purchases. However, the OJT does not prepare the CCO for the cultural differences and emergency situations he/she may encounter in a foreign country. Unfortunately, since the CCO is not working with the supported deployable unit, he/she loses touch with the organizational needs. Lessons learned have proven that an ill prepared CCO is more of a burden during a deployment than an asset.

To help alleviate this problem, the DAU established Contracting 234, Contingency Contracting. This course was designed "to develop the skills necessary to provide direct contracting support to joint tactical and operational forces participating in the full spectrum of armed conflict and military operations other than war, both domestic and overseas" (DAU, 1997). The course incorporates hands-on training with practical exercises to familiarize the CCO with the multi-cultural as well as joint environment. It teaches common automation tools, identification and application of laws and regulations, unique financial issues, and many other topics that are pertinent to contingency contracting.

The course prerequisite is Contracting 101, 102 or 103 or Purchasing 101. DAU recommends the CCO have at least two years of purchasing or contracting experience prior to attending the class. The course is intended for non-commissioned officers, officers and essential civilian contracting personnel who are in deployable positions. This course is assignment-specific and should be attended prior to being assigned the job of CCO.

6. Army Specific Issues

a. Funding

Funding is a complicated issue in contingency operations due to the urgency and source of the requirements. To ensure prompt and timely payments, the CCO should work closely with the finance and accounting officer. In a contingency operation, the environment may involve extreme hardship for vendors and warrant immediate payment. Furthermore, the CCO is prohibited from purchasing or contracting without first determining if sufficient funds are available. In order to verify funding, the

CCO must coordinate with the funds certification officer or the Comptroller and obtain a signed certification of appropriated funds. For this reason, it is critical that the CCO and the funds certification officer work hand in hand to ensure funds are appropriated, valid, and sufficient.

Funding can be approved in one of two ways. Each purchase can be individually approved or the bulk funding concept can be applied. For contingency situations, the bulk funding option is the most preferred. For this method, the fund certification officer authorizes the CCO to obligate funds against a lump sum of money specified for a specific purpose or time period. This practice generally works the best and is the most expedient.

The second method of funding involves commanders who have contract authority and are authorized to create and use imprest funds. An imprest fund is a specified amount of money set aside for a specific purpose. Imprest funds are normally kept to a minimum, usually one per command. General guidelines for their establishment are summarized from the AFARS below:

1. Supplies or services available and deliverable within 60 days.
2. Purchase does not require detailed specifications.
3. Maximum purchase of up to \$ 2,500.
4. May not be used for payment of salaries, advances, and cashing of checks.

b. Planning

The planning and preparation of contingency operations have proven to be the most critical steps to ensure the CCO's effectiveness at the start of a contingency operation. In order to plan properly, the CCO must have a working knowledge of his/her legal authority, funding practices, and duties as a contingency contractor. The AFARS provides a basic outline of how to develop a contingency contracting support plan

(CCSP) but makes no claim that it is all inclusive or set in stone. The paragraphs that follow contain a brief synopsis of the recommended packages and elements in an effective plan. Additionally, recommendations on how to establish a base of operations are reviewed.

When preparing to deploy, the CCO should assemble certain packages, materials, and supplies that will allow him to be operational and self-sufficient for the first 30 days. The following is a list from the AFARS of recommended items that the CCO should have upon deployment:

1. Passport with extra photos for visas.
2. Blanket travel orders.
3. Special conveyance authorization orders.
4. Warrant.
5. Regulations, forms, and supplies (see appendix F, AFARS).
6. Driver's license.
7. Civilian clothes.
8. Imprest fund orders.

This list is based on recommendations from a number of after action reports and should be supplemented based on individual needs. Lists of special requirements are also included in these after action reports as well as recommendations on how to better prepare for them. These after action reports stress that the CCO must understand the special requirements of his/her supported units. Examples of these special requirements include supporting engineers in the purchase of construction materials and support transportation specialists in renting stevedores and rental vehicles. Additionally, the CCO will likely need to contract for billeting, latrine and refuse disposal. Possible solutions include using site surveys where available, local telephone book yellow pages and city maps. All of these may prove to be invaluable assets in any of these instances.

Obtaining in-country assets brings up the next issue, deployment planning. Normally, deployment to the contingency will take place in several phases. It is initiated with the deployment of an advance party that is handled by the PARC. A small portion of the contracting element known as the advance party will deploy with a Forward Area Support Team (FAST) and will establish initial procurement functions. The CCO who deploys with the FAST should be prepared to be self-sufficient for the first 30 days. He/she should have, at a minimum, transportation (rented or organic); an interpreter/guide; a class A agent to assist with paying for local purchases; and facilities with fax, typing, telephones, copiers, and a communications network.

Local purchase procedures should be established early. Establishing a set of procedures for processing the needs of customers will help a new CCO in dealing with local customs, vendors, and record-keeping procedures. The rules should outline approval channels, pickup and delivery channels and consolidation methods. If done correctly, and early on, the purchasing process will be quicker and more responsive.

Another important step to facilitate purchasing procedures is the source selection process. Locating a capable and reliable source in a foreign country can be very difficult. The AFARS recommends several solutions to assist the CCO in this area. The use of a knowledgeable interpreter may prove to be invaluable. Established LOGCAP may reduce the search for sources and help ease the burden on service support activities. The U.S. Embassy may have an existing database from which to draw lists of reputable contractors. Also, the Embassy itself may be a great base of operations. Site surveys, the Chamber of Commerce, local clergy, major hotel chains, and local government leaders

are also excellent sources of information. It is important that the CCO use all available assets.

Once in theater, establishment of the operations site is vital. Here again, the AFARS suggests several considerations. First is the location of the site. It is important to be centrally located such that customers have easy access to CCOs and CCOs can reach potential vendors. This directly relates to the need for transportation; vehicles and communications assets are critical. Telephone service, fax, electronic mail, and satellite communication capabilities are just a few considerations that are essential for an effective operation. Finally, becoming familiar with the local market is imperative in all contingency operations. Local maps will be of assistance but there is no substitute for the experience of simply going out into the local market. After exploring the area, CCOs should document the experience and lessons learned for future CCOs.

One of the things that should occur upon reaching the deployment area is the planning for redeployment. This process cannot be started too soon. All payments must be finalized and closed out with appropriate documentation of actions recorded before the last CCO leaves. Redeployment will occur in reverse of deployment with a small party left behind to close out all final contracts. Prior planning and the execution of an established procedure will facilitate a smooth and efficient redeployment.

c. Claims, Disputes, and Appeals

In certain instances, the CCO may find disgruntled vendors want to put in a claim against the government. The government's policy in this area is for the CCO to handle the dispute to the best of his/her ability at that level. The CCO must make every effort to reach a mutually agreeable solution. As is always the case, some circumstances

will not allow for mutual agreement. In these instances, the CCO is required to make a final decision. In order for a final decision to be valid, four criteria must be met as outlined in the AFARS:

1. The decision must be in writing
2. The decision must be the contracting officer's
3. The contractor must be informed of his right to appeal
4. The contractor must be informed of the reasons behind the decision

The appeals policy is similar to the claims policy. The government's position is to handle it at the lowest level in the contracting chain of command. In the appeals process, an alternative dispute resolution (ADR) is another option available to the CCO. If he/she chooses this technique, officials from both parties can reach an agreement using one of the following methods: facilitation, mediation, fact finding, mini-trials, arbitration, and negotiation.

7. Conclusions

Contingency contracting places great demands on the CCO. Since the end of the "Cold War," contingency contracting has become a significant reality. The closure of many overseas bases has increased and will continue to increase the importance of the CCO. Gone are the days of pre-positioned military equipment and supplies. Friendly host nation support, normally available to military units involved in peacekeeping operations, is not available in contingency situations. What does all this mean to the CCO? The CCO should realize that his/her chosen profession is increasing in importance as the global situation changes and hot spots around the world continue to develop. The CCO should start now to prepare for the inevitable.

The above sections outlined current rules and procedures governing the CCO in contingency operations and discussed the training, duties, and responsibilities of a CCO. It is by no means a comprehensive study, but rather an attempt to give the reader a basic understanding of the CCO's role. Next, the focus will shift to the UN and how contracting is conducted in this organization.

C. UNITED NATIONS CONTRACTING

1. Introduction

Similar to the U.S. Army, the UN also is governed by a series of documents that set forth rules and regulations which UN procurement personnel¹ must follow. These documents include the Secretary-General's Bulletin on Financial Regulations and Rules of the United Nations, the Finance Division's The United Nations Financial Manual, and the Procurement and Transportation Division's Manual of Procedures. These three documents contain the structure, duties and responsibilities, and procedures for UN procurement officials. In the discussion that follows, these manuals are used to outline procedures as they relate to UN peacekeeping operations. Interviews with procurement personnel are used to augment and give a first-hand account of UN procurement procedures. The training UN procurement officials receive is also explored along with a brief discussion of UN-specific areas of concern.

2. Structure

The procurement structure of the UN appears in Figures 5-7 below. Starting with the Secretary General level in Figure 5, the chain of command down to the Commodity Procurement Section in Figure 7 is outlined. Following is a description of the functions

¹ Note: UN contracting personnel are referred to as procurement personnel

these divisions perform. The reader should also note the Peace-Keeping Operations Division in Figure 5. Peacekeeping procurement is the focus of the discussions in this section.

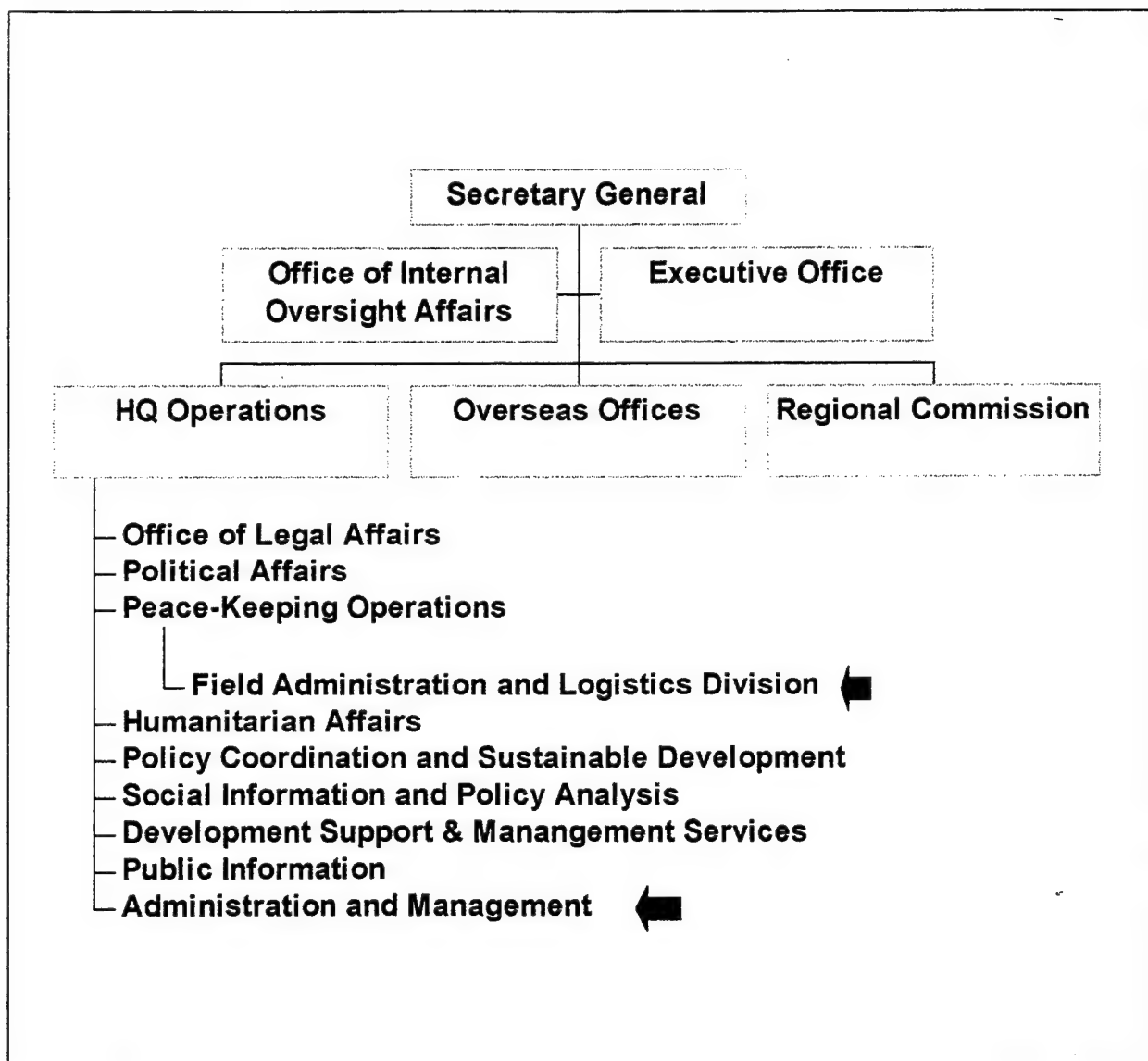


Figure 5 UN Organizational Structure

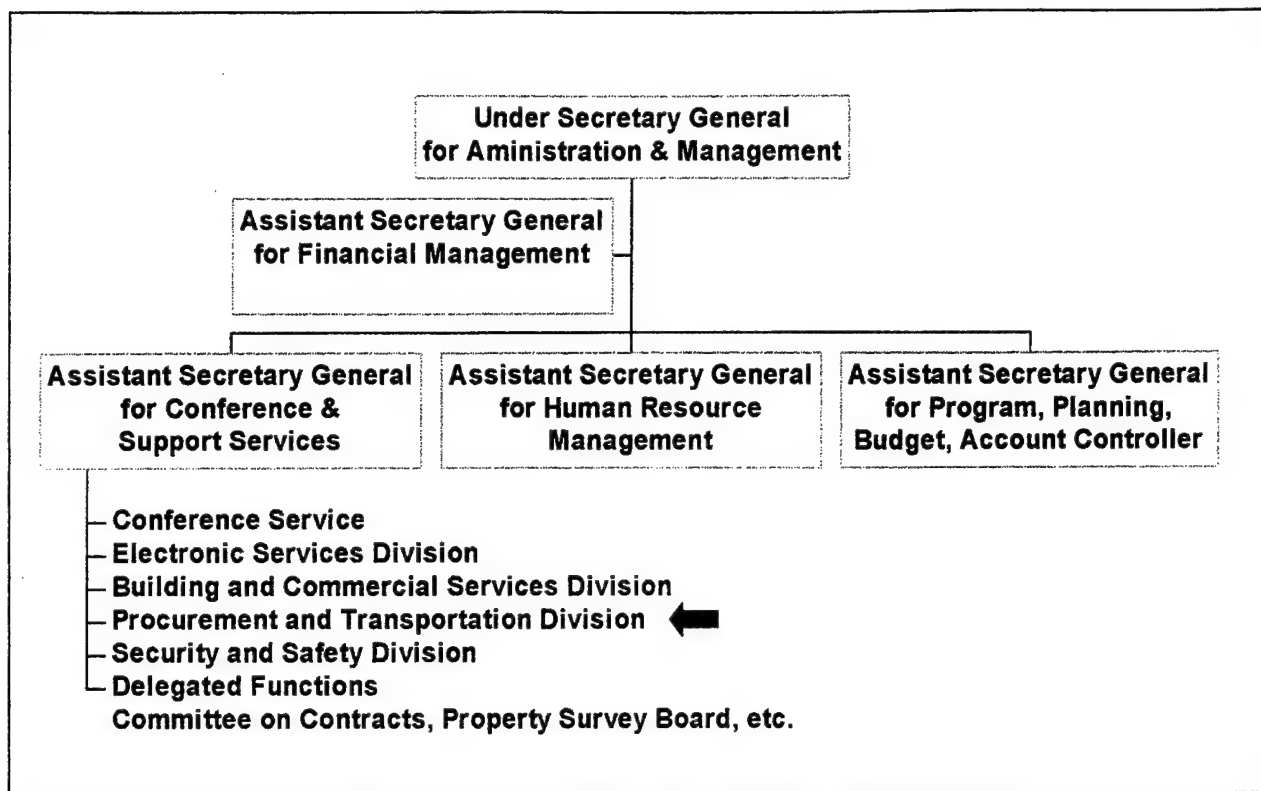


Figure 6 UN Administration & Management Structure

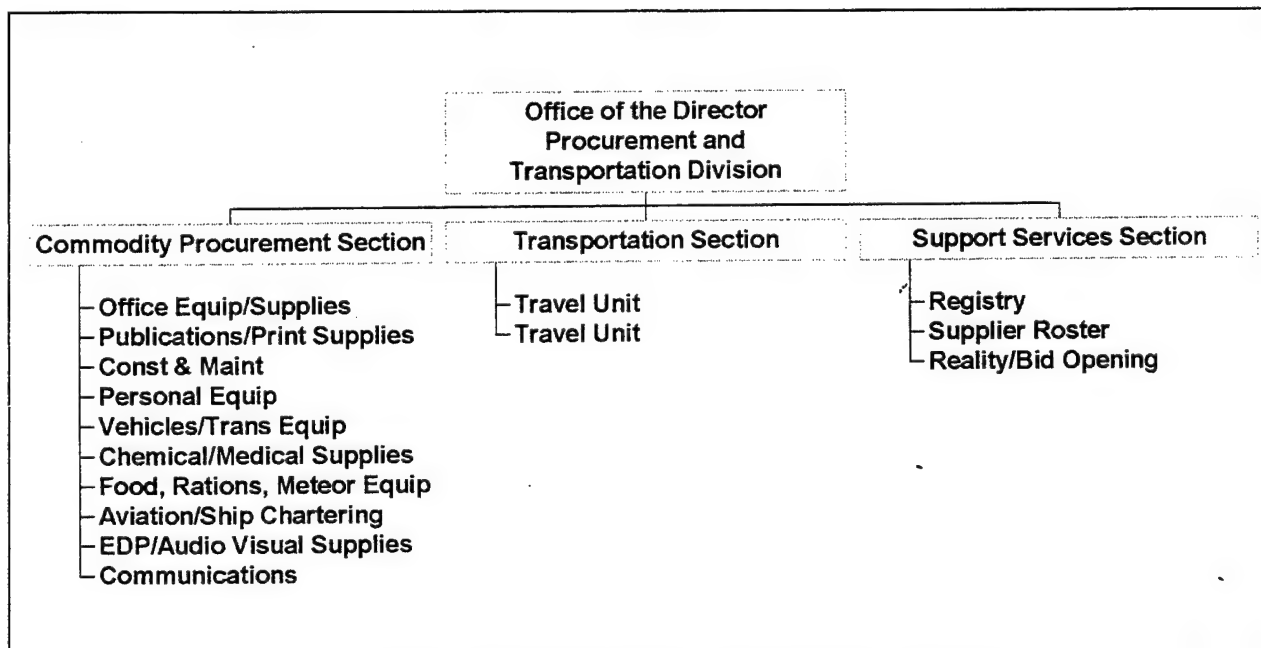


Figure 7 Procurement and Transportation Division

The division responsible for procurement activities for the UN is the Procurement and Transportation Division (PTD) shown in Figure 7. The PTD's primary purpose is "to ensure that the Organization receives the best product or service for the price paid... (Revised Manual of Procedures, 1997). It is headed by the Office of the Director who is responsible for implementing the provisions of the Financial Regulations and Rules of the UN. The Financial Regulations and Rules gives the PTD the authorization and guidance to procure for the UN. The next section discusses the major functions of this division. These functions are outlined in the Procurement and Transportation Division's Manual of Procedures which supplements the Financial Regulations and Rules of the UN. The Manual of Procedures is produced by the PTD for the purpose of implementing the financial manual.

Office of the Director - The director's primary function is to provide higher-level supervision for the PTD. He/she also provides executive direction, planning, and management of the operations. The Director coordinates policy on procurement, transportation, and travel activities for Headquarters, offices away from Headquarters, peacekeeping, and other field missions. (Manual of Procedures, 1997) In a smaller role, he/she also provides administrative support to the Division on budget and personnel matters.

Commodity Procurement Section - As shown in Figure 7, the Commodity Procurement Section performs a variety of procurement functions. This section plans and manages the procurement activities within the UN. Additionally, it "negotiates, prepares and administers contracts for the procurement of supplies, equipment and contractual services for peace-keeping and other field missions" (Manual of Procedures, 1997). It

also plays a major role in preparing presentations to the Headquarters Committee on Contracts for review and advice. This last function is critical in the UN process of obtaining approval for project funding. This topic is discussed in depth in the UN specific issues section of this chapter.

Transportation Section and Support Services Section – The remaining two sections of the PTD have been combined here since, although important to the operation of the UN procurement activities, they play only a small role in procurement for peacekeeping operations. Both sections function in a support role to the PTD as well as to the UN as a whole. The Transportation Section, as its name implies, coordinates, monitors, and routes all transportation undertaken at UN expense. This includes managing travel documents associated with the travel as well as administering the Staff Rules relating to travel.

The Support Services Section performs the remaining administrative functions within the PTD. This includes preparation and coordination of procurement statistics and reports and maintenance of the computerized procurement system. Additionally, this section manages the procurement of services for the PTD that are best organized and managed centrally. (Manual of Procedures, 1997)

This brief description of PTD functions should assist the reader in understanding to whom the UN delegates the responsibility of procurement. It also provides the breakdown of the procurement functions as they relate to the individual sections. With this background, it is now possible to transition to peacekeeping procurement. In the next section, the duties and responsibilities of the Peace-Keeping Division are explored. This

discussion is limited to procurement responsibilities only and does not attempt to investigate operational issues.

3. Duties and Responsibilities

The responsibility of peacekeeping operations is delegated to the Peace-Keeping Operations Division (see Figure 5). This division is responsible for overall management of all peacekeeping issues. Within the Peace-Keeping Division, the Field Administration and Logistics Division (UN/FALD) is responsible for establishing and planning each operation similar to the way the CCO plans the CCSP. The PTD and the Financial Management Division assist the UN/FALD by providing matrix support (see Figure 6). In addition, the PTD can also provide personnel to work directly for the UN/FALD to assist in procuring specific peacekeeping operational items.

Under the Financial Management Division, the Unit for Peace-Keeping Matters and Special Assignments is responsible for assisting the Peace-Keeping Division in areas relating to financial matters. In this regard, the Unit for Peace-Keeping Matters and Special Assignments plays a critical role in obtaining, monitoring, and executing the budget for any peacekeeping operation. More specifically, this unit prepares the Secretary-General's proposed budget for peacekeeping operations and the financial section of the Secretary-General's reports to the Security Council on peacekeeping operations. It also evaluates the financial data relating to peacekeeping operations and assists in presenting this data to the Advisory Committee on Administrative and Budgetary Questions, the Fifth Committee, and the General Assembly. (UN Financial Manual, 1981)

Other important responsibilities include making progress payments to troop-contributing governments, conducting periodic reviews of expenditures, monitoring budget execution, controlling the amount and timing of payments of other obligations to governments, and providing advice on financial policy regarding peacekeeping operations. Finally, the Unit also acts as a liaison between the UN and other Member States contributing troops and/or logistic support. In this capacity, the Unit negotiates all financial matters with the Member States. In sum, the Unit for Peace-Keeping Matters and Special Assignments controls and monitors the purse strings for the operation.

Other procurement responsibilities within the Peace-Keeping Division are those that are delegated to the UN/FALD. This procurement section is "responsible for planning, setting up and maintaining field missions..." (General Business Guide, 1996). Although procurement for UN field missions is the responsibility of the PTD, the UN/FALD is directly responsible for establishing the basic organization for each mission. Because the UN does not possess a permanent staff for each peacekeeping operation, it is required to outsource for individual staff functions. Procurement officials, separate from those in the PTD and the Finance Division, are hired to perform procurement functions for the peacekeeping operation. The duties and responsibilities are similar to those mentioned for the PTD but are specific to peacekeeping operations. In order to conduct local procurement, peacekeeping missions receive delegated procurement authority for goods and services up to \$200,000 (for large missions). Anything above this amount must be submitted to the Council of Contracts addressed later in the UN-specific section of this chapter.

The UN has produced two manuals to assist the UN/FALD and contracted staffs in performing their duties: the Reference Guide for Peace-Keeping Forces and the Field Administration Handbook. These manuals cover such areas as field mission organization, basic responsibilities, application of staff rules, finance, general services, military personnel administration, and logistics. They conform to and supplement the instruction contained in the Finance Manual and Manual of Procedures.

This description of duties and responsibilities of key personnel responsible for UN procurement should provide the reader with an understanding of who obtains funds for peacekeeping operations, who monitors them, who distributes them, and who procures the required supplies and services. The next section examines the regulations and policy governing UN procurement personnel.

4. Regulations and Policy

“The Financial Regulations of the United Nations and the Financial Rules of the United Nations (100 series Rules) shall govern the Administration of the financial activities of all United Nations...” (Financial Regulations, 1985). It is from these Regulations and Rules that all UN organizations draw guidance and authority to spend money for the UN. The UN Finance Manual, the PTD Manual of Procedures, and other manuals are derived from this document. Each, in its own fashion, provides specific guidance on how a particular section or division will implement the basic guidance outlined in the Secretary-General’s Regulations and Rules document. The following discussion will highlight the pertinent sections of each manual as it pertains to UN peacekeeping operations.

The Finance Manual dedicates an entire section to peacekeeping operations. In Section 13, the manual immediately defines peacekeeping operations as "those operations whose functions are carried out by troop contingents as distinct from observer missions which are staffed by individual military observers" (Finance Manual, 1981). It goes on further to define such areas of importance as the financial period, budget formats, staffing tables, extra-budgetary resources, and income. It defines these areas both in terms of assessed and voluntary contributions. It also explains in detail the budget policy on submissions, payment of troops, and timetables. It outlines the review and approval procedures for budget estimates to the Administrative and Budgetary (Fifth) Committee and the General Assembly. Furthermore, Section 13 outlines the procedures for obtaining appropriations and allotments. This includes authorization for incurring expenditures and procedures for disbursement of funds. Section 13 delegates certain financial responsibilities to various sections; for example, the Unit for Peace-Keeping Matters and Special Assignments is delegated the responsibility of payments to governments providing troops. Finally, the manual specifies who authorizes the size and number of staff members for each peacekeeping mission.

For further delegation of procurement authority, the PTD Manual of Procedures must be consulted. In Section 3 of this manual, Financial Rule 110.16 is cited for the purpose of clarifying who is authorized to financially obligate the UN. This rule authorizes the PTD to undertake procurement activities for the UN. The Assistant Secretary-General for Conference and Support Services (ASG/CSS) grants this authorization to the PTD. It further states that "no other entity within the United Nations Secretariat may purchase or commit the UN to contractual obligations..." (Manual of

Procedures, 1996). It is for this reason that when a peacekeeping operation is authorized, matrix support from the PTD must be obtained. If matrix support is unavailable for some reason, then a special exception must be granted in writing from the Under-Secretary-General for Administration and Management (USG/AM).

Other sections of the Manual of Procedures address the procedures the PTD must follow for acquisition and issuance of supplies and services. Section 4 covers requisition writing, specifications use, and availability of funds. Procurement procedures are also outlined, which include tax exemption rules, officials-not-to-benefit rules, and purchase order procedures. Section 5 reviews registration of prospective suppliers/contractors and Section 7 reviews opening bids and proposals. Section 8 addresses evaluation procedures and Section 16 covers written contracts. Combined, this manual clearly outlines the procedures to follow in order to procure any supply or service.

It now should be clear peacekeeping operations depend a great deal on the PTD in order to survive logistically. Matrix support is essential and must be obtained from the beginning. Additionally, any staff agency hired to supplement the PTD's support must fully understand the PTD's Manual of Procedures. The next section discusses training for PTD personnel on use of this manual as well as procurement training in general, whether required or offered.

5. Training

Training of UN procurement personnel takes on a variety of forms. Eligible procurement officers "attend procurement conferences, seminars and exhibitions to enhance their knowledge of, and familiarity with, the products and services available in local and international markets" (Report of the Secretary-General, 1996). Additionally,

in conjunction with George Washington University's Government Contracts Program, the UN offers its procurement personnel the opportunity to attend a joint training program specifically designed for the UN. In this program, UN procurement personnel learn procurement basics as well as UN-specific policies and procedures. However, after interviewing several UN procurement officials, it became clear that the majority of the training takes the form of on-the-job training (Mullin, 1997).

In addition to training offered by external organizations, several organizations within the UN offer various types of training to UN personnel. Two such organizations are the United Nations Development Programme (UNDP) and the Inter-Agency Procurement Services Office (IAPSO). UNDP is the largest provider of grant funding for development in the UN and is responsible for making the UN a powerful force in human development. The UNDP sees procurement as a valuable resource for accomplishing this goal. To assist in this area, IAPSO was formed to serve as the focal point on the UN's system on procurement issues.

Combined, these two organizations have produced several training manuals on UN procurement. These manuals cover a wide variety of procurement issues relevant to UN procurement. Some of the topics covered include procurement planning, identification of requirements, preparation of requisitions, sources of suppliers, procurement methodology, and legal aspects of procurement. Quality assurance and the impact of information technology are two other subjects of interest. An added feature of these manuals is that they are designed for people on both sides of UN procurement. They are instructional not only for UN personnel but for potential vendors to the UN as

well. This allows outside organizations to become familiar with UN procedures, which in turn help UN procurement personnel perform their jobs.

6. UN-Specific Issues

The procedures just outlined discuss the basic principles that apply to UN procurement, specifically, procurement for peacekeeping operations. The discussion that follows covers those areas unique to the UN procurement system and not generally required or followed by other organizations. These topics are covered here because they play an important role in the ability of UN procurement personnel to accomplish their jobs. As demonstrated, if UN procurement personnel are unable to master these topics, they will be unable to perform their duties properly.

a. Committee on Contracts

As mentioned earlier, procurement for goods and services up to \$ 200,000 is delegated down to local procurement officials. When a contract exceeds this limit, a series of Committees on Contracts must be consulted for their approval. The final approval for the contract resides with the Headquarters Committee on Contracts (HCC) composed of a chairman and a staff of five members. The chairman is appointed by the ASG/CSS and the staff consists of representatives from the following departments: Office of Conference and Support Services, Office of Programme Planning, Budget and Accounts, Office of Legal Affairs, and Department for Development Support and Management Services. The purpose of the committee

is to examine and provide advice as to whether the proposed contract, including a contract which involves income to the Organization, is in accordance with the United Nations Financial Regulations and Rules, procedures, administrative issuance and instructions and that its recommendation has been based on fairness, integrity and transparency. (Manual of Procedures, 1996)

The procedure for obtaining approval can be somewhat lengthy and drawn out but is required nonetheless. It begins when any contract or modification to an existing contract is to be entered into with a single contractor that exceeds \$ 200,000 for a single year. Once this dollar amount is reached, a Local Committee on Contracts (LCC) is formed to review the contract for compliance with UN rules and regulations. If the LCC approves the contract, the committee will present it to the head of the PTD for review. If the PTD approves it in turn, the PTD is responsible for preparing and presenting the contract to the HCC. If the HCC approves the contract, the local procurement officials can then let the contract.

b. Ex Post Facto Cases

Another unique aspect of UN procurement is the case of entering into contracts for which the goods and services have already been fully or partially delivered or performed prior to obtaining the advice of the LCC and/or the HCC. This also includes contracts for which appropriation for funds has not been approved. In instances where this occurs, the procedures for presentation to the contract committees remain the same. However, the official who has entered into the contract is held personally responsible for any contract that does not eventually obtain approval. The UN is experiencing a growing number of these cases; the next section addresses the reason they are occurring.

c. Politics

In the interviews with UN procurement personnel, the single most-mentioned aspect affecting their jobs was politics. The first point discussed was the fact that the UN is made up of over 180 different nations. This fact creates several interesting

obstacles. First, the members of the various committees are from different nations. Reaching resolution on a contract may involve more than just simple compliance with the UN rules and regulations. Additionally, contracting for units from several nations is difficult given that the soldiers' needs are different in several respects - militarily, personally, and religiously. These differences alone create many procurement challenges for buying officials. Finally, because the individuals in charge of the various procurement divisions are from a number of countries, they bring with them different perspectives and backgrounds. The varying perspectives on how to best accomplish procurement also create unique challenges for the UN. Although the same rules and regulations govern them all, exactly how they are interpreted can vary greatly.

7. Conclusion

UN field missions, as peacekeeping operations are sometimes called, have increased from five in 1988 to sixteen in 1996 (General Business Guide, 1996). This increase has created greater demands on the procurement personnel throughout the UN. The UN has conducted several studies to determine if improvements to the procurement procedures are required. This topic is addressed in Chapter IV, but it is sufficient to say now that several recommendations have been made. The PTD, in its attempt to reach this goal, has revised its Manual of Procedures and reduced the size of its workforce. The end results are discussed in Chapter IV along with the similarity this has to the CCO.

D. APPLE CONTRACTING

1. Introduction

Unlike the two organizations previously discussed, many U.S. private industries do not document their procurement programs, policies, or procedures. In many instances,

the experience gained from on-the-job training is all the training a contracting officer receives. This creates organizational challenges in some ways, but also creates an environment that fosters unique and original solutions. This section explores the overseas contracting at Apple Computer, Inc. It relies heavily on an interview with Mr. Larry Wiklund, Apple's Global Team Leader - Memory. In many instances, the only information available comes directly from Mr. Wiklund's personal experiences and knowledge of Apple. (Wiklund, 1997)

2. Structure

Figure 8-10 shows the procurement structure for overseas contracting at Apple. The chain of command begins at the Executive Vice-President for Operations and flows down to the buyer for a particular commodity. This example depicts the Global Team Leader - Memory who purchases total memory overseas for Apple.

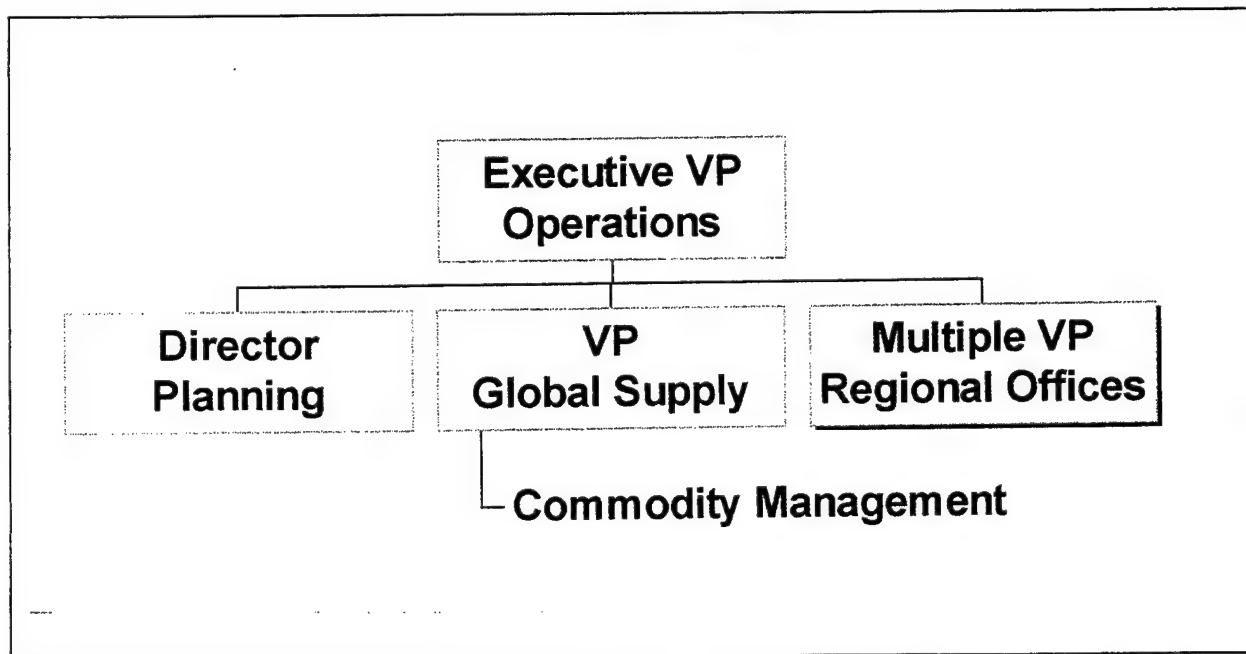


Figure 8 Apple Operations Division

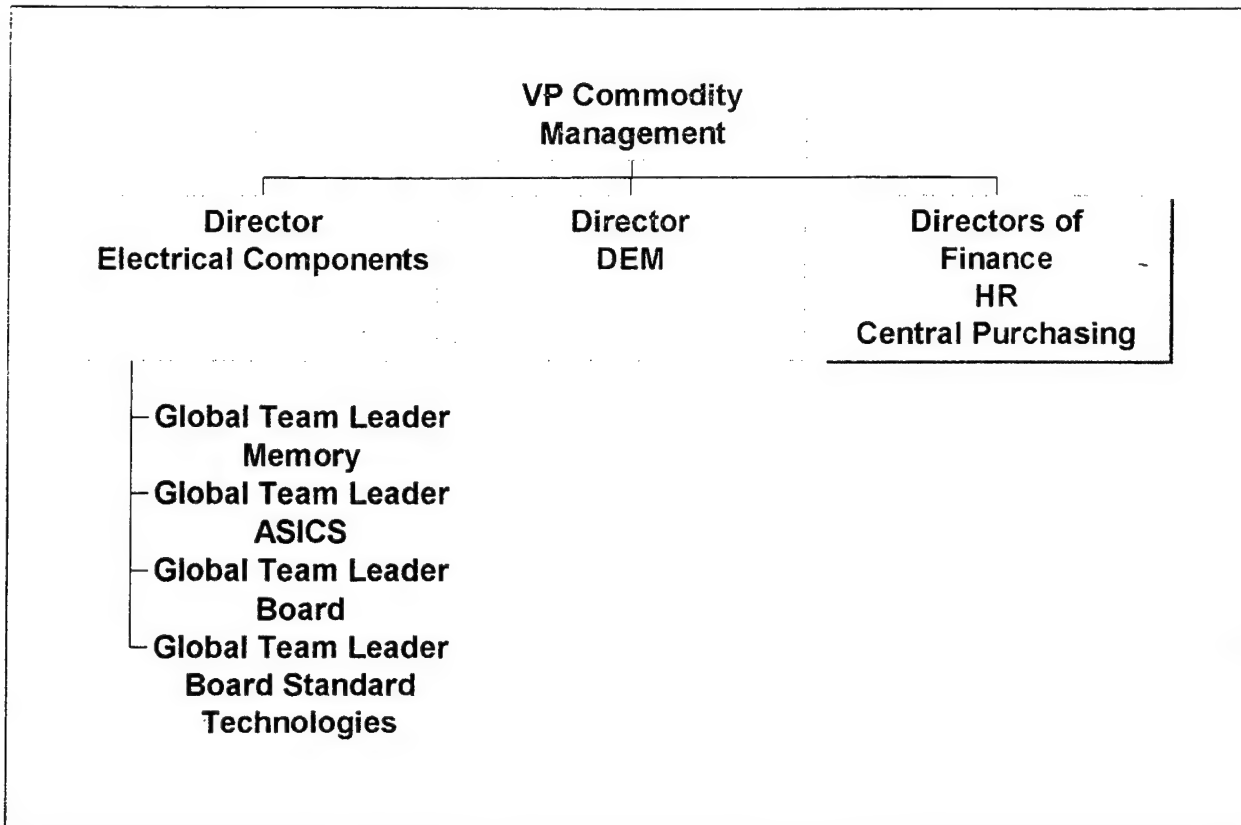


Figure 9 Commodity Management

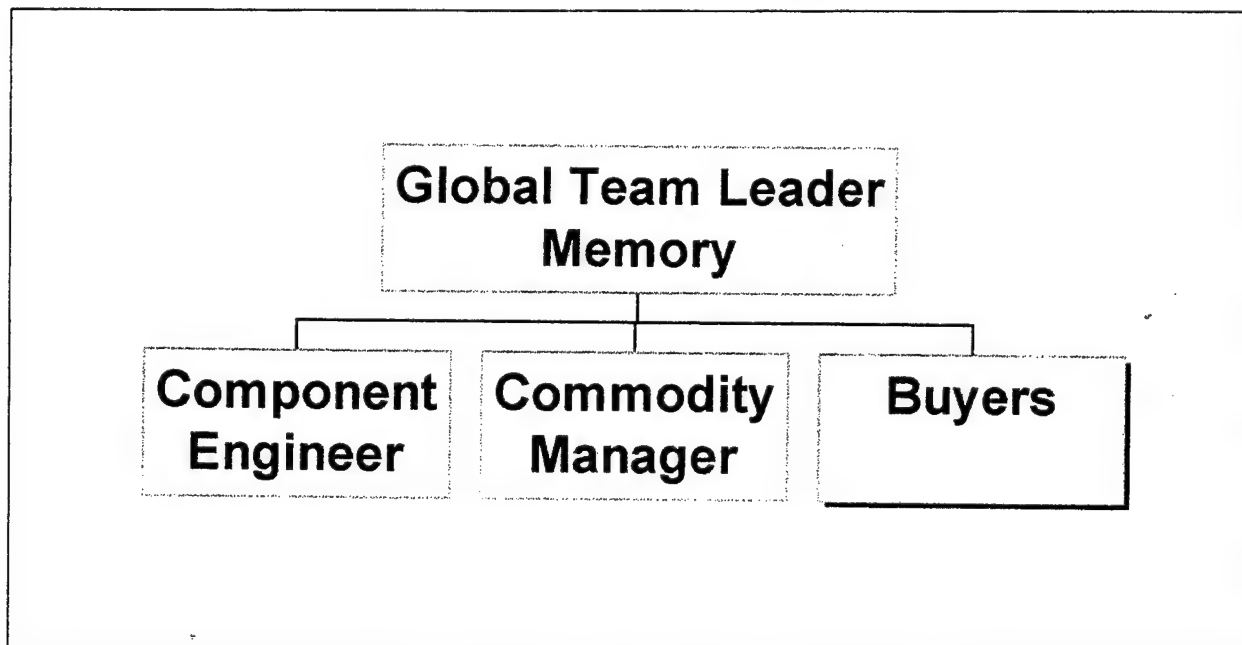


Figure 10 Global Team - Memory Division

The Global Team Leader, the Component Engineer (CE), and the Buyer are the critical players in the purchasing arena for Apple. Their functions are described below.

Global Team Leader – The Global Team leader functions as the product manager for a specified area of interest. In the case of Larry Wiklund, he is accountable for Apple's total memory purchases worldwide. Mr. Wiklund ensures a team effort in the purchase of memory by issuing guidance and setting specific goals for his team. Mr. Wiklund and the majority of his team work out of the Cupertino, California office. Apple has other team offices in Cork, Ireland and Singapore.

Component Engineer – The Component Engineer (CE) provides the technical expertise to the team. He/she is required to know the memory specifications for Apple computers and whether the contractor can meet these needs. Additionally, the CE ensures the quality of the memory purchase meets Apple's stringent standards. The CE makes recommendations on how to meet Apple's future needs and which contractor is most capable of accomplishing these tasks.

Buyers – Buyers for Apple perform the actual writing of contracts, purchase orders, and business agreements. However, to a large extent they are just an extension of the Team Leader. Buyers only perform the purchasing function. They do not play a role in the decision-making process. They receive specific guidance from the Team Leader and are expected to execute. Buyers tend to work on site sometimes in conjunction with contracted help, but can also be located with the team headquarters. Another form of buyer used by Apple is a local consulting firm. These professionals are hired for their expertise and knowledge of local procurement regulations and rules. This topic is discussed more in depth in the U.S. private company issues section.

By the descriptions of the various team members' functions, it is clear that the key position for Apple in contracting overseas is that of the Team Leader. This individual's duties and responsibilities are discussed in the next section.

3. Duties and Responsibilities

A Team Leader for Apple has worldwide purchasing responsibility for the various commodities necessary to produce Apple computers. In Mr. Wiklund's case, he is responsible for Apple's total memory purchases. His duties include sourcing for memory components and modules, and contributing to the sourcing strategy. Once the strategy is approved, he is also responsible for managing and implementing the strategy worldwide.

In other instances, Mr. Wiklund negotiates design and development as well as production contracts. For the production contracts, he ensures that Apple suppliers maintain sufficient capacity and supply flexibility of total memory. He also aims to obtain the lowest price possible while maintaining an acceptable quality level for Apple. He ensures the optimal management of assets such that Apple remains a leading producer of reasonably priced, high-quality computers.

In order to perform these duties adequately, Apple hires only those people who meet specified education and experience requirements. These requirements include a Bachelor of Science or Bachelor of Arts degree plus 6 years of related procurement and supplier management experience. A Master of Science or a Master in Business Administration with four years experience in procurement and supplier management is also acceptable. Excellent interpersonal and communications skills are a must, with the ability to integrate and influence cross-functionally and cross-culturally. An added plus would be any technical experience the individual may bring with him/her.

Performing these duties and responsibilities worldwide is a challenge. Although not a requirement, a foreign language skill is an advantage for the Team Leader operating in foreign countries. In terms of guidance on performing the job, Apple does not burden Team Leaders with volumes of rules and regulations. In fact, the reader will see in the next section that Apple has very few documented rules to direct Team Leaders.

4. Regulations and Policy

The most notable aspect concerning private industry's self-governing rules, regulations, and policies is that, generally, there are none. In Apple's case, other than an ethics policy, the company does not have any formal written policies concerning contracting, let alone overseas contracting. In the several years he has worked for Apple, Mr. Wiklund has not received or found any documentation outlining procedures to be followed or rules on performing his duties. Mr. Wiklund learned how Apple conducts contracting only by turning to experienced contractors or consulting his boss. In fact, this is the way the company has developed a number of informal policies.

The unwritten policies developed by Apple can only be found by experience with the company. For example, contracting personnel quickly learn that Apple's top three priorities in purchasing computer resources are leading technology, price, and above all quality (Wiklund, 1997). Additionally, Apple rewards contractors who demonstrate excellent past performance by giving them a larger percentage of Apple's business. Again, this policy is not in writing, but is passed down to buyers in the form of verbal communication during meetings, planning sessions, or contract reviews.

Other Apple policies, which contracting personnel learn through experience, deal with risk sharing and intellectual property rights. These two areas are especially

important in initial contracts with new companies and design and development contracts. In first-time contracts, Apple prescribes percent-of-business ranges that Apple expects new contractors to receive. Based on the contractor's performance, Apple either rewards or punishes the contractor by giving the contractor more or less business. In design and development contracts, Apple uses various methods to allow for risk sharing. Since developing new technology is inherently risky, Apple reduces its risk by sharing it with the designer. In these contracts, Apple rewards exceptional design performance by granting production contracts to a designer who develops the needed product on time and within cost.

For both initial and design contracts, Apple's overarching concern is intellectual property rights. Apple's concern here is to maintain ownership of the rights for the product being produced. This is directly related to profit and Apple's ability to sell its product on the open market without paying exorbitant royalties. Similarly, Apple wants to protect itself from other companies producing and selling its products.

Maintaining the company's profit is important, but contracting personnel are also reminded that they are spending the stockholders' money. For this reason, being ethical and innovative in all they do is just as important. Contracting personnel are instructed to look for multiple sources both to ensure competition and no supply lag in the event that one supplier runs into trouble. One technique used by Apple is finding one potential supplier who is a leader in technology and another who is the price leader for similar technology. Apple will then pit them against each other to ensure the latest technology is obtained for the best price. (Wiklund, 1997) Another technique used when technology changes or price increases is to shift a portion of Apple's business to the new price or

technology leader. The shift may involve portions of or the entire budget, depending on the commodity. In this way, Apple protects its profit and keeps its shareholders happy.

In the realm of writing contracts, Apple tends to use contracts for the purchase of non-standard items and uses a standard form as a guideline. An example is the Master Production Agreement. This is an umbrella-type contract that can be used for many items and modified depending on the particular needs of the company. (Wiklund, 1997) In conjunction with this procedure, contracts are also developed based on long-standing procedures with reliable contractors. Apple does not develop entirely new contracts, but rather simply adds a new paragraph or clause to include the new item. Thus, the company saves both time and money. Another resource-saving technique when purchasing standard items is to use purchase orders. They are used when commercial items, available without alteration, are required. Business agreements may also be used for the same purpose.

Final determination of whether to use a contract, business agreement, or purchase order is left up to the discretion of the Buyer. This individual is expected to use expertise and knowledge of the company to make a sound selection. He/she is required to obtain several approval signatures before enactment, but the initial decision is left to the Buyer. Guidance given to subordinates is not normally given in written form. It usually takes the form of priorities based on the well being and current needs of company, e.g., cost #1 due to recent profit ratio, then quality, variety, and then availability. This guidance may be put out during meetings, tele-conferences, or seminars but very rarely in written form. This may be due to the dynamic nature of the business or the mere fact that it is not required.

5. Training

As mentioned earlier, the primary training contracting personnel receive is on-the-job training. Experience, time with the company, general knowledge brought with a new employee are all examples of this training program. The company is willing to further employee education by paying for classes, but prefers simply to hire the expertise it needs. It is faster and cheaper for Apple to hire an individual fully qualified to perform a particular job, rather than invest time and money on schooling. This does not mean that Apple has a low opinion of continuing education -- quite the opposite. However, Apple does expect its employees to possess a certain level of education prior to being hired.

To further an employee's education or keep an employee current, Apple sponsors and provides many seminars. Additionally, Apple participates in several professional associations outside of the company. In this way, employees learn from other professionals within the same field. Company employees or the professional organizations may prepare the seminars that employees attend. Classes at higher education institutions are rare but not unheard of. Usually, this type of class provides a new skill that has recently become necessary. An example may be cultural training for employees. This would be very significant for overseas contracting. Here again, it is not uncommon for Apple to hire this expertise as well.

6. U.S. Company-Specific Issues

a. Rewards

The way a U.S. private company is able to reward desired performance from its suppliers is a topic worthy of discussion. As mentioned above, Apple can easily move money or portions of its business to certain contractors based on past performance.

It does not require written justification or notification. If Apple so desires, it can inform the contractor of the reasons behind its decisions but the company is not required to do that. Along the same line, Apple can choose not to do business with certain companies based solely on Apple's preferences.

b. Hiring Local Consultants

Apple's normal procedure for establishing a contracting office overseas is to begin by hiring local consultants for their knowledge and expertise. This practice can be very valuable for several reasons. First, the local consultants speak the native language. Second, they are familiar with local customs and regulations; finally, they may already have established ties with the companies that Apple intends to do business with.

Upon hiring a consulting firm, Apple will issue very specific guidance as to its needs. Apple may also assign a representative from the company to work side-by-side with the firm to assist in clarifying these needs. Apple also establishes an expense account with a spending limit which the consulting firm may use to set up the local office. Spending above this limit requires approval from Apple by obtaining multiple signatures.

Apple's experience has shown that local expertise is invaluable. Instead of attempting to educate Apple employees on the customs, tariffs, language and other country-specific nuances, it is cheaper and more efficient to hire in-country experts to handle these affairs. It is easier for Apple to teach the local consultant the Apple way of doing business than the reverse. Additionally, if the intended purchase does not come to fruition, then Apple can cancel the contract with the consulting firm without the loss of valuable employee time.

7. Conclusions

The structure of a private U.S. company is similar to the structures shown for the U.S. Army and the UN. It has a very definite chain of command with an established hierarchy. However, the types of guidance and rules governing the U.S. Army and the UN are not present in the private sector. This allows the Team Leader greater flexibility to perform the job but also requires the Team Leader to have certain prior experience in order to be able to function in the overseas environment. Finally, the private sector also has the freedom to use different reward systems and hiring practices enabling it to obtain needed supplies to produce products for sale on the open market.

E. SUMMARY

The U.S. Army, the UN and a private U.S. company all have different ways of conducting contracting overseas. As shown above, all have established structures internal to their organizations designed to perform this function. Each has a unique way of passing on varying degrees of guidance to their subordinates through this structure. Additionally, each organization provides different levels and types of training for contracting personnel. The different training is designed to produce employees specifically molded to meet the various needs of these organizations. The next chapter compares these various techniques and methods. Successful methods are highlighted as well as areas that need improvement. Additionally, common mistakes are discussed with recommendations on how to avoid them.

IV. COMPARISON AND ANALYSIS

A. INTRODUCTION

Chapter III explored the fundamental elements of overseas contracting for three different organizations. Specifically, the structure, duties and responsibilities, regulations and policy, training, and organization-specific issues in each organization were outlined in detail. Using this knowledge as a baseline, it is now possible to compare and contrast the three organizations' methods of overseas contracting. The same areas outlined in Chapter III -- structures, duties and responsibilities, regulations and policy, training, and organization-specific areas -- facilitate this discussion and serve as the basis for comparison in the sections to follow. In conjunction with the comparison, this chapter also explains why the similarities and differences are significant and makes several recommendations on how one organization might benefit from the use of another's way of conducting business. The similarities and differences for each section will also be presented in tabular form for quick reference.

B. STRUCTURE

The first similarity that exists between the Army, the UN, and Apple is they all have well-established structures for conducting contracting operations within their organizations. This point is best illustrated in Figures 1,2 and 5 through 10 in Chapter III. These figures clearly demonstrate the existence of a very definite order or chain of command. Each organization has an established hierarchy designed to execute the various functions of overseas contracting. At the top of these hierarchies, general planning and strategy development take place. At the lower end of the chain of command, execution of the plans and strategies occurs. Although different titles are used

by each organization, the basic functions performed by individuals at equivalent levels remain the same. The similarity in structure is important since it allows each organization to establish clear lines of authority for decision making and assists in focusing the organization. However, the structural similarities across all three organizations do not extend further. Other similarities that exist are only present in two of the three organizations -- Apple and the Army. This point may be better conceptualized in Figure 11.

Issue	Army	UN	Apple
Clearly defined hierarchy or COC	Yes	Yes	Yes
Functional areas for overseas contracting	Yes	No	Yes
Flexible	Yes	No	No

Figure 11 Structural Comparison

The Army, during normal operations, combines its contracting resources at the DOC. Similarly, Apple's contracting assets are all under the supervision of the Vice-President of Commodity Management. In this way, contracting personnel are able to form working relationships and learn from the experiences of fellow employees. During contingency operations, the Army deploys military personnel or CCOs to the area of concern; likewise, Apple uses the Global Team Leaders for specific overseas contracting. Thus, certain personnel are delegated the responsibility for overseas contracting but still have common resources available during normal operations. This is an advantage for the Army and Apple that could benefit the UN.

If the UN were to establish a peacekeeping procurement section within the PTD, it would have a staff specifically designed to monitor and assist the Peace-Keeping Division. Since this section's responsibilities are specifically peacekeeping oriented, as their knowledge and experience grow over time, their value to the Peace-Keeping

division is to reduce the number of the ex post facto cases that they are currently experiencing. Another way might be to help reduce the need to outsource for contracting personnel. In either case, it is important to keep this section within the PTD and not under the Peace-Keeping Division. This is so that the peacekeeping procurement section could benefit from the combined procurement assets of the PTD. One reason for this is the PTD's ability to facilitate training to keep the procurement section's personnel current on the latest changes in procurement rules and regulations.

Along with the similarities just mentioned, several differences also exist. The most notable is the Army's flexible structural design. As mentioned in Chapter III, the Army's structure can be augmented or reduced depending on the needs of the operation. This flexibility allows the Army to adjust its contract management team around the specific needs of the customer (the soldier). In doing so, it can meet the customer's needs more efficiently. Whether or not the UN and Apple should adopt this system is questionable. Apple probably would benefit the least since its environment is much more predictable and does not require rapid changes. However, the UN might consider such a system since it currently must outsource for peacekeeping procurement personnel.

The UN might benefit from a flexible command structure for several reasons. The most obvious is the similarity in missions that face the UN and the U.S. Army. Peacekeeping and contingency operations are very similar in nature in that they both can involve a hostile environment, they involve limited sources of supply, they generally occur in a foreign country, and they involve a military force. The flexible command structure used by the Army would allow the UN to tailor its contracting chain of command around the needs of the peacekeeping operation. The creation of the peace-

keeping section within the PTD would facilitate this flexible command structure. Combined, the flexible structure and the peacekeeping section would allow the UN to reduce its outsourcing requirements to those services that do not exist internally, provide a more permanent peacekeeping chain of command for procurement, and be a source of experience and knowledge for future operations.

C. DUTIES AND RESPONSIBILITIES

The duties and responsibilities of overseas contractors in these organizations vary greatly. The only similarities that exist are between the Army CCO and Apple's Global Team Leader. The reason the UN is unlike the Army or Apple is that it does not assign a specified person or section the responsibility for peacekeeping procurement. Although the UN/FALD currently is responsible for planning and establishing the operation, it does not handle procurement. The PTD, which is responsible for all UN procurement, provides this support via matrix support but does not assign specific overseas contracting duties and responsibilities to any one person or section. For this reason, the UN peacekeeping procurement duties and responsibilities are not directly comparable. The following figure illustrates this point by highlighting overseas contracting responsibilities that are assigned to the Army CCO and are similarly performed by the Apple Global Team Leader.

Duty or Responsibility	CCO	PTD	Apple
Assigned responsibility for overseas contracting	Yes	No	Yes
Overseas contract management	Yes	No	Yes
Overseas purchasing of supplies	Yes	No	Yes
Overseas contract administration	Yes	No	Yes
Negotiations, cost & price analysis, market research	Yes	Yes	Yes
Planner and strategist	Yes	No	Yes
Commodity specific	No	No	Yes

Figure 12 Duties and Responsibilities

As Figure 12 illustrates, three of the four responsibilities of the Army CCO are very similar to those of the Apple Global Team Leader. Managing, purchasing supplies, and administering contracts overseas are common duties for both. The fourth responsibility, purchasing services (not shown in Fig 12) is rarely required by Apple and, hence, is not required of the Team Leader. Both positions require the negotiation of contracts, market research for suppliers, and price and cost analysis. The PTD for the UN performs similar functions for the Peace-Keeping Division and is similar in this regard.

Another similarity between the Army CCO and the Apple Global Team Leader is the role each plays as a planner and strategist. The CCO is required to assist in the deployment planning by writing the CCSP. The Global Team Leader likewise is required to provide input for Apple strategy development. In both instances, the input provided by these individuals is critical to the successful completion of the mission or purchase of the needed commodity. Similar expertise does not exist in the UN because of the lack of assigned personnel. Because of this deficiency, the peacekeeping procurement personnel habitually experience a steep learning curve for each operation. This is another argument supporting the establishment of a peacekeeping section within the UN.

A notable difference among the three organizations is that the Apple Global Team Leader is commodity specific while the Army CCO and the UN PTD are not. At Apple Mr. Wiklund is responsible for total memory purchases only. CCOs and PTD personnel are responsible for a greater variety of items. This is an advantage for Apple since Mr. Wiklund, through his experience, is very knowledgeable about the commodity of total memory and about various suppliers of this commodity. He can provide better input for strategy development and recommend suppliers based on personal experience. This adds

a unique feature that would be very difficult for the Army to implement because of its job rotation policy, but it may be possible for the UN if it first establishes the peacekeeping section mentioned earlier.

Implementing a peacekeeping section in the PTD was discussed earlier and would involve moderate changes in the PTD organizational structure. It would, however, provide the added benefit of continuity to peacekeeping procurement. The advice and expertise that Mr. Wiklund gives Apple would be provided to the UN in a similar fashion through this section. Although Apple and the UN missions are radically different, there is no substitute for the wisdom of an experienced individual. The benefits include reduced learning curve, reduced outsourcing, increased specialization, and reduced peacekeeping procurement cost.

D. REGULATIONS AND POLICY

The most obvious similarity in this area exists between the Army and the UN. Both have well-documented regulations governing the actions of their contracting personnel. In the Army's case, the FAR, DFARS, and AFARS provide guidance and direction to the CCO. In the UN, the Finance Manual and the PTD Manual of Procedures serve the same purpose. While both provide instructions on how to conduct contracting overseas, these manuals also are restrictive in nature. In many instances, these manuals limit the actions of contracting personnel either by not giving them authority to conduct contracting business or by requiring it to be conducted in a specified manner. The best example is the approval process by the UN Committee on Contracts for contracts greater than \$200,000.

Apple contractors, in stark contrast, have no manuals or regulations to follow. Although signature approval is required for large purchases, it is not nearly as extensive a process as that of the UN. In this sense, the CCO's warrant, which grants the CCO contract approval up to a certain dollar amount, is similar in nature to that of the Global Team Leader's authority. It is also closely related to the authority granted to local consulting firms hired by Apple. In both instances, individuals - not committees - are the decision-makers. This gives Apple and the Army the advantage of time savings in purchase approval. As mentioned previously, the approval of the Committee on Contracts sometimes involves more than just following procedures. If approval authority were to be delegated to an individual, this could help prevent the political ramifications involved in the committee process.

Implementation of the processes have political ramifications in both the Army and the UN. Governing bodies control both organizations' purse strings. In the case of the Army, it is the U.S. Congress; for the UN, it is the General Assembly. In order to satisfy the members of these political bodies, mere compliance with regulations is not enough for approval. The Army may find it is required to purchase certain supplies for an operation from a certain congressman's home state. Similarly, peacekeeping procurement personnel may be required to buy rations from a particular UN member nation for the very same reason. This only hinders contracting individuals from doing their jobs. It may also cost these organizations more in terms of money, time, and - in some cases - lives. For this reason, Apple definitely has the advantage of not suffering from the political game syndrome. It would be extremely difficult for both the Army and the UN to benefit from Apple's example because of the political nature of their governing

bodies. It is doubtful that the basis for these two organizations, the U.S. Constitution and the UN Charter, will undergo major revisions required to implement the changes necessary to make a difference.

Figure 13 summarizes the regulations and policies mentioned earlier.

Regulation or Policy	Army	UN	Apple
Documented	Yes	Yes	No
Approval by committee for over \$200,000 contract	No	Yes	No
Political influence on purse strings	Yes	Yes	No

Figure 13 Regulations and Policy Comparison

E. TRAINING

Similarities and differences also exist in the amount and type of training provided by each organization. Each of the three organizations provides some degree of training for their personnel. The Army provides the greatest and Apple the least. This is not to say that Apple's personnel are less qualified; in most instances, Apple's contracting personnel come to the job with more training, education and experience. This is due to the fact that Apple hires people who already possess the skills required to perform the job. Apple contends that this practice not only saves time but money as well (Wiklund, 1997). Unfortunately, this technique is not available for the Army. In most instances, civilians are non-deployable and, for the most part, do not possess the experience of participating in a contingency operation. However, some of the procurement personnel at the UN are retired military and bring a lot of overseas contracting experience with them. On the other hand, many of the UN management positions are filled with people who possess little to no contracting experience at all (Mullins, 1997). This is a detriment to the organization and can easily be rectified by following Apple's example.

Other similarities include cultural training, language training, and on-the-job training (see Figure 14). Both the Army and Apple send their people to training programs to educate them on the region they will encounter. Again, Apple prefers to hire this expertise but is willing to provide the training if it is necessary. The UN, on the other hand, does not provide such training. All three organizations attempt to locate the expertise from within first before training new employees. If a person within the organization possesses the required skills, then he/she will be transferred to fill the requirement.

Training Provided	Army	UN	Apple
Language (if not present in organization)	Yes	No/Hire	No/Hire
Cultural	Yes	No/Hire	No/Hire
On the job	Yes	Yes	Yes
Proficiency	Yes	Yes	Yes
Value to organization	Highest	Lowest	Median

Figure 14 Training Comparison

Finally, in order to keep their personnel current, all organizations conduct seminars or training classes. These seminars are designed to educate the contracting personnel on the latest regulation changes (Army and UN) or update them on the newest methods of contracting. Most seminars are conducted locally and are taught by internal experts or members of professional organizations. This method ensures contracting personnel stay current in their profession and share ideas with each other.

The value placed on training varies greatly within each organization. The Army, which provides the greatest amount of training, places the greatest value on its own internal and DoD training. This results from the Army's inability to hire the expertise it needs. The Army is constantly converting the lessons learned from past experiences into new training courses to further the education of its contracting personnel. The most

recent example is the DAU course Contracting 234, "Contingency Contracting", mentioned earlier. The other two organizations also value training but prefer to have it done externally. They prefer to hire a person who is already trained. This is best exemplified by Apple and would benefit the UN more if used for hiring senior individuals in the PTD.

Apple can better accomplish its training goal externally since many universities teach the required skills Apple desires. Unfortunately, the Army can not benefit in a similar fashion since its business is unique and not widely taught outside the Army environment. The UN, however, can hire experienced personnel to fill their needs. They are able to hire retired military contractors since the peacekeeping mission is similar to that of the Army mission as mentioned earlier. Unfortunately, the overall value of training as compared to other aspects of contracting for these organizations is low. This is evidenced by the fact that training habitually is the last area where more money is spent and the first area cut in a tight budget year.

The different degrees of emphasis placed on training programs in the three organizations raise the question of the relative competencies of the contracting personnel in each organization (see Fig 14). This is a difficult issue to address since each organization evaluates its personnel differently based on the different goals, objectives and missions of the organization. Because of the vastly different roles, it is not appropriate to compare the competency levels of these contracting individuals on a one-to-one basis. However, generally the contractors for Apple start out with the greatest advantage since they are initially the most prepared to step into their new job. As time passes and the Army is able to provide its personnel with training and experience, the

Army contractors are on an even playing field with their civilian counterparts. The UN could start out with the same advantage as Apple if it were to establish hiring objectives. It would also remain on the same level of expertise as Apple and the Army if it were to establish the peacekeeping procurement section to capture and maintain peacekeeping procurement proficiency.

F. ORGANIZATION-SPECIFIC ISSUES

In some instances, a similarity exists between an organization-specific issue but the relative importance of the particular issue is different. For example, Apple hires local consulting firms for their expertise in the local area where the Army is restricted by regulations governing service contracts. The UN also hires consultants according to its needs for contracting personnel. However, in the UN their role is significantly different and smaller in nature. Apple's consultants are given authority to obligate funds and are responsible for the establishment of the overseas office. UN consultants do not have this authority or flexibility. They are told what to buy, how much, and when. Unless the UN changes its rules and regulations, the UN will not benefit from these consultants as much as Apple. It would be better for the UN to hire an individual for peacekeeping procurement and then train him/her on the necessary skills. In doing so, the UN retains the expertise and experience of the individual for future missions.

Another major difference is the ex-post-facto cases the UN is experiencing. If a CCO were to obligate the Army in a similar fashion, he/she would be in violation of the Anti-deficiency Act and would face criminal charges. Similarly, if an Apple Buyer were to purchase commodities without proper signature approval, the Buyer would lose his/her job. Unfortunately, for the UN this procedure is a necessary evil. In many instances, ex-

post-facto cases involve the purchase of life-supporting items such as food. The problem lies in the length of time required to obtain approval to spend the money. In the words of Mr. Mullins, "It isn't a priority unless it is a crisis." This philosophy is not conducive to sound contracting procedures.

This issue of funding, although complicated for the Army, is not nearly as time consuming as it is for the UN. Additionally, the Army has devised a method that the UN might well learn from. The use of imprest funds or bulk funding might be a simple solution to solving the ex-post-facto cases. If the UN were to establish an account from which the UN procurement personnel could obligate funds and request replenishment, it would be on the way to a solution. Additionally, certain individuals should have authorization authority to obligate against this account. The current committee system for purchases over \$200,000 does not appear to be working adequately to meet this need.

The rewards system that Apple uses could benefit both the Army and the UN if these organizations were allowed to use it. Currently, both the Army and the UN are required to compete each new contract. Unfortunately, if a supplier performs well, preferential treatment or a renewal of the contract can not be used to reward them. In the Army's case, past performance can be used as an evaluation criterion in the source selection process, but it can not be used as a reward. Law mandates this practice because public funds are being used and the essence of fairness must be present.

Finally, the use of public funds also has created the claims and dispute procedures that exist in the Army. As discussed earlier, if a contractor feels it did not receive an honest evaluation or the contracting office did not follow the correct procedures, it can file a claim or dispute against the Government. Although in time of national emergency

exceptions to this policy exist, as a general rule the CCO must be aware of this process and take steps to avoid unfair practices. The CCO answers to public officials and is spending taxpayers' money. For this reason, the contractor is given every opportunity to protest any contract for which it feels it was not given a fair chance to compete. Apple, at the other extreme, is not required by regulation to be fair and equitable. It is motivated by profit and shareholder satisfaction and does not answer to public officials. Figure 15 summarizes these issues in tabular form. A yes response indicates that it is an issue for that particular organization. A no signifies that it is not a major problem

Issue	Army	UN	Apple
Funding	No	Yes	No
Authorization Authority	No	Yes	No
Reward System	Yes	Yes	No
Source Selection	Yes	Yes	No
Public Funds	Yes	Yes	No

Figure 15 Organization Specific Comparison

The differences just outlined are fundamental differences that exist between the organizations. In some instances (Army and UN) the policies or laws that govern the contracting officials actions create the differences while in other instances they are formed over time by repetitive actions. In either case, what is created by these differences is the culture of each organization. The culture of an organization is what makes every organization unique. It is formed by the mission of the organization as well as the people who work in it. Each of the elements described above also influence the cultural development of that particular organization. To say that one is better than the other is not possible. However, as demonstrated above, one organization can learn from another's culture and change its own. In this way organizations grow, become more productive, and adapt to a changing environment.

G. SUMMARY

This chapter discussed the differences and similarities of contracting overseas for the Army, the UN, and Apple. Although similar structures were found to exist between the three, very different regulations and policy governed each organization. Differences exist because of the use of public funds, governing bodies, and politics. Similarities in the duties and responsibilities were also found. This validates the Army's assumption that contracting is universal and similar procedures apply across organizations. Additionally, training for contracting personnel was discovered in all three organizations, but to varying degrees. Variances are due to Apple's more stable environment and its ability to hire the skills required rather than teach them. Finally, the organization-specific issues highlighted the fact that certain procedures exist in each organization because of unique requirements. Again, this is linked to the fact that with the spending of public money come rules that specify how it will be spent. Above all, an air of fairness and equality must be present even if it means spending more money in the application of this policy. Based on this analysis, the next chapter outlines several conclusions.

V. LESSONS LEARNED AND CONCLUSIONS

A. INTRODUCTION

This chapter provides the reader with lessons learned on overseas contracting from the perspectives of the Army, the UN, and Apple. It then makes several concluding remarks based on the research presented. It closes with recommendations on topics for future research.

B. LESSONS LEARNED

1. Army

Lessons learned in contingency contracting stretch as far back as the Vietnam War, and several recurrent themes are discernable. Each conflict since the Vietnam War has surfaced similar problems as noted below:

Problems related to actions permitted short of declaration of a national emergency as well as problems related to language, cultural differences, training, disbursements, market surveys, consolidated contingency contracting guidance, record keeping, and regulatory impediments. (Wells, 1995).

Some of these issues, such as actions short of a national emergency, training, and record keeping, have already been discussed in previous chapters. However, several new topics will provide the reader additional information worthy of discussion.

Language and cultural differences are important issues that can create contracting barriers for the CCO. These barriers are easily avoided with a little education or assistance from a translator. Although the FAR stipulates that the English translation of a contract is the correct meaning, this means little to vendors who do not understand English. Furthermore, these vendors sign contracts only because they are told to do so. Often they do not read the contract or understand what it means. This problem is

compounded by "the difficulty in contracting for translators because of the restrictions on contracting for personnel services" (Wells, 1995). Not only is language a problem, but cultural differences cause many difficult situations as well.

Education would reduce difficulties in two problem areas. Americans generally tend to be insensitive to the foreign cultures they encounter in their business dealings. This results in degradation of the Army CCO's contracting efforts since he/she conducts business with the general population. More educational emphasis on courtesies, customs, and traditions would alleviate this problem. Additionally, education on security threats would serve to protect the CCO from unnecessary harm. By doing business in unsafe parts of town, the CCO may subject him/herself to possible terrorist threats simply because of lack of knowledge.

Another lesson learned is the lack of comprehensive guidance. A 1985 study conducted by Brit and Miles identified 126 provisions from statutes, regulations, or directives that impede the CCO in conducting contracting actions even in the event of a national emergency. Although the Army produced the AFARS Manual II in 1993 and revised it in 1997, further work is needed.

Finally, the Army has learned that security clearances should not prevent logistics personnel from being included in the planning process and open lines of communication are essential to maintaining the best support possible. This includes communication between CONUS and OCONUS operations during the contingency. Additionally, competition between Services for scarce resource drives up the price for everyone involved. To solve this problem, contractors at the joint level should be more proactive in controlling or consolidating like purchases from the same vendor. Finally, the CCO

maximum use of CONUS contracting support as well as LOGCAP assets. If communications remain open with contracting assets in the States, additional sources of supply can be made available to soldiers in a timely manner.

2. United Nations

The UN, like the U.S. Army, conducts periodic reviews of programs to determine whether improvements are possible. One example is a review conducted on the efficiency of administrative and financial functioning of the UN. In the report, procurement reform was addressed and has great relevancy to peacekeeping procurement operations. Areas such as air transportation, food rations, supplier rosters, and the Headquarters Committee on Contracts were some of the pertinent topics discussed which impact peacekeeping operations.

The problems encountered in connection with air transportation included delays in obligating and certifying funds, frequent requests, and changes in operational requirements by field missions. This directly affects peacekeeping operations that fall under the umbrella of field missions. Short time frames for procurement actions further exacerbate the problem and are a recurring problem in the peacekeeping arena. To counter this problem, the UN is currently pursuing the feasibility of block charters and stand-by contracts for troop rotations. The UN/FALD is overseeing the implementation of this initiative but has not yet been able to execute the plan completely.

Food rations contracts for small peacekeeping operations have traditionally been expensive and unresponsive. To resolve this difficulty, the UN/FALD and the PTD are currently exploring the feasibility of creating a systems contract for smaller food rations contracts. Currently, three peacekeeping missions' food rations contracts are being

consolidated. Appropriate termination clauses are being included in the event that mandates require contracted services to be terminated or interrupted on short notice. The UN believes that this measure will lower the cost of these contracts as well as reduce the administrative burden on procurement personnel.

In 1996, the UN took its old 4,000-firm Supplier Roster and updated it. It re-certified 1,250 suppliers and certified approximately 1,000 new suppliers. This revised roster was then given to the Department of Peacekeeping Operations in diskette form for distribution to all peacekeeping missions. Combining this information with the Inter-Agency Procurement Services office database of 8,000 suppliers, peacekeeping procurement personnel now have a rather substantial database of suppliers from which to choose. This collection of supplier information was the response to procurement personnel's lessons learned and has resulted in a more competitive market for the UN.

Other lessons learned indicated to the UN that its Headquarters Committee on Contracts was reviewing an increasing number of smaller contracts. In an attempt to reduce this workload and speed up the procurement process, financial rules 110.17 and 110.19 were revised and the threshold limit was raised to the current level of \$200,000 (United Nations, 1996). This change helped reduce the workload of the HCC but the effect on ex post facto cases has yet to be determined.

3. Apple

Lessons learned from previous overseas contracting, according to Mr. Wiklund, involve a number of topics. Unlike the Army and the UN, many of Apple's lessons learned are not documented. Instead, many are passed on during meetings, seminars, or video tele-conferencing. Although the company does not benefit from having written

documentation, it does benefit from sharing up-to-date information. Mr. Wiklund discussed the following topics during his interview.

First, Mr. Wiklund stressed the importance of open and honest communication between the supplier and Apple. This includes bad news. Bad news should be presented early on so problems can be corrected quickly. One form of communication that Apple finds useful is feedback. The feedback Apple receives from its suppliers or gives to them is critical in identifying a problem early and developing solutions. Without this open and honest communication, Apple could lose a lot of time and money.

Next, Mr. Wiklund stated that clear forceful language in a contract is important to allowing the supplier to identify requirements quickly and thoroughly. This results in more accurate, on-time deliveries and avoids costly delays in production. Additionally, honest performance evaluations allow the supplier to identify areas where it can improve its performance and better serve Apple's needs. This creates a win-win situation for both sides. Apple receives better service and the supplier, in turn, receives a larger portion of Apple's business.

Finally, Apple has learned that periodic reviews with suppliers are essential to maintaining open communications and productive feedback. These reviews should occur on a regular basis – quarterly, for example. Apple also uses studies produced by a variety of consulting firms to obtain an independent analysis of market trends, supplier-buyer relationships, and new technologies.

C. CONCLUSIONS

The objective of this thesis was to explore and compare how contracting officials from three different organizations contract in a foreign country. This thesis was

conducted to produce a reference document of alternative methods of contracting and lessons learned to assist contractors in better preparing themselves for contracting overseas. This study supports the following four conclusions.

1. Planning

Planning occurs in all three organizations to various degrees. Whether this planning is called contingency, peacekeeping, or strategic, it is critical to each organization and is a recurring theme of many lessons learned. The lack of planning or faulty planning results in loss of time, higher prices, lower profits, and, in some instances, loss of lives. An organization can never over-plan or conduct too much research, although there is a limited amount of time available to conduct it. In order to plan properly, individuals must be trained in the proper contracting procedures and the environment in which they will operate. Experience is often the best teacher, but may not always be possible. Due to this training deficiency, contracting personnel must seek out the most current information and attend any class that may further their education on the contracting environment. Although the basic principles remain constant, the world and the rules that influence our decisions are constantly changing. It is the responsibility of every contractor to remain current in the profession to be able to produce the best plan possible.

2. Joint Contracting

In light of the current world situation, U.S. forces can expect to be working alongside the armed forces of other nations to include UN peacekeeping operations. The most current example is the peacekeeping mission to Bosnia-

Herzegovina. For this reason, this document provides an excellent reference to obtain an understanding of how the UN conducts procurement. It also serves as a good reference for UN personnel to learn about U.S. Army contracting. Furthermore, the information on how a private company performs overseas contracting adds additional insight that might be used by both the Army and the UN to solve some of their existing problems. Additionally, the Army and the UN may be better prepared to contract with private industry abroad based on the knowledge of how a private company conducts contracting.

3. Training vs. Hiring

The training provided for contracting personnel in each organization varies based on the needs of the organization. Apple prefers to hire an individual who already possesses the prerequisite skills and experience. The Army, at the other extreme, prefers to invest the time and money to train its personnel to the required level of proficiency. The UN does neither and prefers to rely completely on OJT. Each organization could benefit from the examples of the other two. For example, a more extensive training program that includes some organization-specific skills may better serve Apple's needs. Apple's current orientation training for their new hires does not prepare them for Apple's way of doing business. Instead the new employees are left to discover this on their own. Similarly, the UN, whose middle management has little to no contracting experience or training, could benefit from Apple's example by creating job qualification standards.

Of the three, the Army appears to be the most willing to adapt its program based on lessons learned. First, it requires each contracting individual to have a certain level of education to hold a contracting position. Next, it provides additional training to further this education level and to maintain currency. Finally, the Army creates new courses,

such as Contracting 234 (at DAU) to meet the expanding needs of the organization. However, the Army could also benefit from Apple's example of hiring local expertise when entering into a foreign country. A different level of support may be appropriate for the Army, but individuals such as translators and guides may assist the Army in its battle to overcome the language and cultural barriers. In all three organizations, improvements are possible if an open attitude, coupled with a willingness to change, is fostered.

4. Regulations and Policy

The differences that exist in documentation of regulations and policy are extreme. The Army and the UN both have volumes of rules where Apple has virtually none. Again, a valuable lesson can be learned from other methods of doing business. It may assist Apple to document company policy so new employees can refer to it for guidance. Likewise, the Army and the UN may save time and money by reducing some of their rules.

Currently, procurement reform is addressing this very issue and has been successful in reducing some regulatory requirements. However, most of these reforms only change the levels of spending that require additional effort. For example, increasing the Simple Acquisition threshold from \$100,000 to \$200,000 does not truly change the Army's way of contracting. The change only reduces the administrative burden for smaller contracts. Both the UN and the Army should review their current regulations and ask the question, "Is this truly necessary?" For example, competition is required in both organizations on most contracts. This process greatly increases time and cost of procurement in the attempt to maintain fairness to all prospective vendors. The question

really should be "Is this the best way of spending public money to obtain the product at the best value?" Here again, out-of-the-box thinking is required.

D. AREAS FOR FURTHER RESEARCH

This research was rather broad in nature due to the fact that it began a new stream of research inquiry. Although several studies address similar issues for individual organizations, none have attempted to compare them with other organizations. Many of the issues associated with contracting overseas that received only brief coverage in this study lend themselves to further inquiry in future research efforts. Some of these areas include joint training for multi-national operations, regulatory reform for Government agencies, mandatory contracting requirements for civilian businesses overseas, and deployment of civilians to operations other than war. Additionally, a comparison of CONUS contracting between organizations such as those in this study could also reveal some startling results with ways to improve the old way of doing business.

APPENDIX

AAC - Army Acquisition Corps
ADR - Alternative Dispute Resolution
AFARS - Army Federal Acquisition Regulation Supplement
ALMC - Army Logistics Management College
AR - Army Regulation
ASG/CSS - Assistant Secretary General for Conference & Support Services
ASA (RDA) - Assistant Secretary of the Army For Research, Development and Acquisition

CCO - Contingency Contracting Officer
CCSP - Contingency Contracting Support Plan
CE - Component Engineer
CM - Commodity Engineer
CONUS - Continental United States
COR - Contracting Officer's Representative
COTR - Contracting Officer's Technical Representative
CSS - Combat Service Support

DA - Department of the Army
DAFARS - Draft AFARS
DFAR - Defense Federal Acquisition Regulation
DAU - Defense Acquisition University
DOC - Directorate Of Contracting

FA - Functional Area
FAR - Federal Acquisition Regulation
FAST - Forward Area Support Team

HCA - Head of Contracting Activity
HNS - Host Nation Support

LCC - Local Committee on Contracts
LOGCAP - Logistic Civil Augmentation Program

MACOM - Major Command
MAPL - Military Acquisition Position List
MIPR - Military Interdepartmental Purchase Request

OCNUS - Outside Continental United States
OJT - On the Job Training

PARC - Principal Assistant Responsible for Contracting
PBO - Property Book Officer

PCRB - Property Control Record Book

PTD - Procurement and Transportation Division

SAACONS - Standard Army Automated Contracting System

SOW - Statement of Work

TOE - Table of Organization and Equipment

UN - United Nations

UN/FALD - United Nations Field Administration and Logistics Division

USG/AM - Under-Secretary-General for Administration and Management

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